

**HEALTH SERVICES AND DEVELOPMENT AGENCY
OCTOBER 26, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: Bartlett ASC, LLC

PROJECT NUMBER: CN1806-026

ADDRESS: 7845 US Hwy. 64
Bartlett (Shelby County), TN 38133

LEGAL OWNER: Bartlett, ASC, LLC
8 Cadillac Drive, Suite 200
Brentwood (Williamson County), TN 37027

OPERATING ENTITY: USP Tennessee, Inc.
15305 Dallas Parkway, Suite 1600
Addison, TX 75001

CONTACT PERSON: Kim H. Looney, Esquire

DATE FILED: June 15, 2018

PROJECT COST: \$10,035,666.19

FINANCING: Combination of Cash Reserves and Commercial Loan

PURPOSE FOR FILING: Relocation of a previously approved but unimplemented CON to establish a multi-specialty ASTC

DESCRIPTION:

Bartlett ASC, LLC is seeking to relocate an unimplemented CON (CN1605-020A) approved to establish a multi-specialty ambulatory surgical treatment center (ASTC) that was to be located in leased space on Kate Bond Boulevard (address to be assigned), Bartlett (Shelby County), TN 38133 to 7845 US Hwy 64 Bartlett (Shelby County), TN 38133. The proposed ASTC will include two operating rooms and one procedure room. The space will also include an unequipped operating room for future growth. The ASTC will be managed by USP Tennessee, Inc.

HEALTH SERVICES AND DEVELOPMENT AGENCY

**Bartlett ASC, LLC
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If approved, this project will replace the approved but unimplemented CON (CN1605-020A).

Note to Agency members: In clarifying information the applicant notes that the building on Kate Bond Boulevard was never built. The option to lease lapsed in early 2018. For more details, see the Clarifying Information at the end of the application.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

APPLICATIONS FOR CHANGE OF SITE

When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Agency may consider the following factors:

- (a) *Need.* The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

The new site is less than a half mile from the current site and just a little over 1,000 square feet from St. Francis Hospital-Bartlett. The health care needs should be served as well at the proposed site as the current site.

It appears that this criterion has been met.

- (b) *Economic factors.* The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

The applicant expects the projects costs to be only slightly more than the original site and that the new site should be as economically beneficial as the original site.

It appears that this criterion has been met.

- (c) *Contribution to the orderly development of health care facilities and/or services.* The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

The applicant anticipates no delays. The proposed project may actually be completed slightly faster than the original project since the proposed project is renovating an existing building while the original application was for new construction.

It appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Application Synopsis

Bartlett ASC, LLC is seeking approval to relocate and replace a previously approved but unimplemented CON to establish a multi-specialty ASTC. The applicant had difficulty in agreeing on final terms with the landlord at the previously approved site, forcing the pursuit of another location resulting in the filing of the current application. The proposed ASTC will not change its surgical room complement remaining at 2 operating rooms, 1 unequipped operating room for future growth, and 1 procedure room. The ASTC's surgical specialty mix is expected to be general surgery, orthopedics, neurosurgery/spine, gastroenterology, and pain management.

If approved, the proposed project is expected to open for service in November 2019.

Facility Information

- The new location will be on the third floor of an existing building, occupying approximately 13,000 square feet.
- In addition to the operating and procedure rooms the proposed ASTC will contain 5 pre-op beds and 6 recovery beds.
- A floor plan drawing is included in Attachment A-6B(2).

History

- On October 26, 2016 Bartlett ASC, LLC received CON approval (CN1605-020A) for the establishment of a multi-specialty ASTC with 2 operating rooms, 1 unequipped operating room for future growth, and one procedure room. The applicant expected to lease approximately 13,500 square feet of newly constructed space.
- On December 13, 2017 Bartlett ASC, LLC received Agency approval to modify CN1605-020A to allow a change of ownership to permit the flexibility of offering up to 70% ownership interest to physicians who will

perform surgeries at the ASTC. When the application was originally filed it was anticipated that USP Tennessee, Inc. (USPT) would have majority ownership.

Note to Agency members: In clarifying information the applicant anticipates that USPT will own 51% of the LLC and offer up to 49% for physician syndication.

Ownership

- Bartlett ASC, LLC is a limited liability company whose current member is USP Tennessee, Inc. (USPT). The parent company for these entities is United Surgical Partners International (USPI)
- USPI was founded in 1998 and generally partners with physicians and health systems to own and operate ASTCs. In Tennessee, USPI has ownership interest in 22 ASTCs and one specialty hospital. Overall USPI owns and operates over 260 short-stay ambulatory facilities.
- Tenet Healthcare (Tenet) purchased a controlling interest in USPI in 2015.
- Tenet is the ownership entity of St. Francis Hospital and St. Francis Hospital-Bartlett.
- USPT anticipates syndicating membership interest to area physicians.

NEED

Project Need

The applicant states a Certificate of Need is being requested for the following reasons:

- There is only one other ASTC in the 15 ZIP Code primary service area in Shelby and Fayette County. The ASTC is North Surgery Center, which is on the campus of Methodist North and generally used by physicians who practice at that location.
- Outpatient surgeries in ASTCs are generally less costly than those performed at a hospital.
- The ASTC setting is less restrictive resulting in easier navigation for elderly patients and residents from rural areas than a hospital campus.
- Many of the surgeries currently performed at the Surgery Center at Saint Francis, Saint Francis Hospital and SFH-Bartlett will be shifted to this surgery center.

Note to Agency members: In clarifying information the applicant notes that the projected volume for the ASTC will be based on the shift of current volume mainly from Surgery Center of St. Francis and SFH-Bartlett, growth in the area, and growth in the surgeries appropriate for outpatient surgery.

Service Area Demographics

The applicant's proposed primary service area is a 15-ZIP Code region in Shelby and Fayette. The total service area is Shelby and Fayette Counties.

Highlights of the applicant's proposed two county service area (Shelby and Fayette) are provided as follows:

- The total population of the service area is estimated at 983,390 in CY 2018 increasing by approximately 0.9% to 992,384 residents in CY 2020.
- The overall Tennessee statewide population is projected to grow by 1.7% from 2018 to 2020.
- The number of residents enrolled in TennCare is approximately 25.7% of the total service area population compared to 21.2% statewide.

Demographic Feature	Fayette	Shelby County	Service Area	Tennessee
2018 Population	40,742	942,648	983,390	6,769,368
2020 Population	41,852	950,532	992,384	6,883,347
Median Age	44.4	35.1	NA	38.5
Median Household Income	55,972	\$46,854	NA	46,574
TennCare Enrollees As a % of Population	16.9%	26.0%	25.7%	21.2%
Population Below Poverty level	15.0%	21.4%	NA	17.2%

Sources: TDH Population Projection Data Files, TennCare Bureau website

Historical Service Area Operating and Procedure Room Utilization

Based on the Joint Annual Reports submitted to the Department of Health, there are 10 multi-specialty and 16 single specialty ASTCs operating in the service area. Their collective utilization trends are displayed in the following table.

Utilization of ASTCs in the Service Area

	2015	2016	2017	% change 15-17
Operating Rooms	65	67	67	+3.1%
Cases Per OR	878	837	898	+2.3
% of 884 Optimal Cases/YR.	99.3%	94.7%	101.6%	
Procedure Rooms	43	43	41	-4.7%
Cases Per PR	1,459	1,458	1699	+16.4%
% of 1,867 Optimal Cases/Yr.	78.1%	78.1%	91.0%	

Source: CN1806-026, Pages 32-34

The above utilization table reflects the following:

- Overall, the two county service area experienced a 2.3% increase in operating room cases and a 16.4% increase in procedure room cases from 2015 to 2017.
- By 2017 service area operating rooms overall exceeded the operating room optimal utilization standard.
- By 2017 service area procedure rooms were operating at 91% of the procedure room optimal utilization standard.

**Service Area Hospital Outpatient Surgical Utilization
2014-2016**

# of Hospitals	2014 Cases	2015 Cases	2016 Cases	% Change 2014-2016
12	41,7898	46,236	41,336	-1.1%

Source: CN1806-026

- Overall there are 12 hospitals in Shelby County providing outpatient surgery services. One hospital in Fayette County stopped reporting surgical volume after 2012.
- Overall, hospital outpatient surgery volume decreased 1.1% between 2014 and 2016.
- Individually seven of the hospitals experienced outpatient surgical volume growth between 2014 and 2016.

Applicant's Projected Utilization

The following is Bartlett ASC's projected utilization for the first two years of operation.

**Bartlett ASC
Projected Surgical Utilization**

Specialty	# of Surgeons	Year 1 OR Cases	Year 2 OR Cases	Year 1 PR Cases	Year 2 PR Cases	Year 1 Total Cases	Year 2 Total Cases	% Total
General Surgery	4	158	306	0	0	158	306	9%
Orthopedics	4	346	673	0	0	346	673	21%
Neurosurgery/Spine	1	105	204	0	0	105	204	6%
Gastroenterology	2	0	0	945	1,836	945	1836	57%
Pain Management	1	0	0	105	204	105	204	6%
Total	11*	609	1,183	1,050	2,040	1,659	3,223	100%

Source: CN1806-026

**Same physician performing neurosurgery/ spine and pain management*

- By Year 2 the two operating rooms are projected to operate at 66.9% of the optimal utilization standard.
- By Year 2 the one procedure room is projected to operate at 109.3% of the optimal utilization standard.
- Gastroenterology is projected to produce 57% of the cases followed by Orthopedics at 21%.

Note to Agency members: In CN1605-020A, the applicant stated that Tabor Orthopedics with eight orthopedists and one pain management physician would account for a significant portion of the utilization. In clarifying information, the applicant has stated that Tabor Orthopedics is no longer involved with the project. As noted in the table above the specialty mix of surgeons expected to utilize the proposed ASTC are general surgeons, orthopedists, neurosurgeon/pain management, and gastroenterologists. The applicant stated that due to the preliminary nature of the discussions, the applicant is not at liberty to identify the specific groups. For more details, see the Clarifying Information at the end of the application.

ECONOMIC FEASIBILITY

Project Cost

Major costs of the \$10,035,666.19 total estimated project cost are as follows:

- Tenant Improvements-\$3,093,777 or 30.8% of the total project cost.
- Facility Lease- \$2,340,000 or approximately 23.3% of the total project cost.
- Moveable Equipment-\$2,919,831 or approximately 29.1% of the total project cost.
- For other details on Project Cost, see the Project Cost Chart on page 37-R of the application.

Financing

- The applicant intends to finance the project from a combination of commercial loan, cash reserves, physician investment, and current operating reserves.
- A copy of a letter dated June 14, 2018 from the Senior Vice President of Frost Bank confirms favorable conversations with United Surgical Partners International, Inc. that preliminarily anticipates a loan of \$5.1M at a 90-month term and a fixed interest rate of 5.5%. The letter is included in Attachment B-Economic Feasibility – 2.
- A copy of a letter dated June 14, 2018 from the Chief Financial Officer of United Surgical Partners International indicates the availability of \$1,732,000 for the proposed project. The letter is included in Attachment B-Economic Feasibility – 2.
- The applicant states in Supplemental #1 that \$1,945,418 of the facility costs is equal to the net present value of the lease payments, which will be paid out of current operating revenue.
- The applicant also states in Supplemental #1 that any difference between the funds committed above and the total project cost will be covered through physician investment in the ASC at the time of project syndication.
- A Review of Tenet Healthcare's most recent quarterly SEC filing, unaudited financial statements revealed cash and cash equivalents of \$403,000,000,

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current assets of \$4,705,000,000, and current liabilities of \$4,354,000,000 for the fiscal period ending June 30, 2018 for a current ratio of 1.08 to 1.0.

Note to Agency Members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Net Operating Margin Ratio

- The applicant projects a net operating margin ratio for the total facility of 12.0% in Year 1 and 37% in Year 2.

Note to Agency Members: The net operating margin demonstrates how much revenue is left over after all the variable or operating costs have been paid.

Capitalization Ratio

- The applicant reports Tenet Healthcare's capitalization ratio to be 95.8%.

Note to Agency Members: The capitalization ratio measures the proportion of debt financing in a business's permanent financing mix.

Historical Data Chart

Since Bartlett ASC, LLC is a proposed ASTC, a Historical Data Chart was not filed.

Projected Data Chart

The applicant projects \$4,148,881 in total gross revenue on 1,659 surgical cases during the first year of operation and \$8,262,202 on 3,223 surgical cases in Year Two (approximately \$2,564 per case). The Projected Data Chart reflects the following:

- Net income for the applicant will equal \$(865,870) in Year One increasing to \$1,315,536 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$6,972,473 or approximately 84% of total gross revenue in Year Two.
- The applicant reports that Charity Care is included in the Bad Debt Line item. The applicant projects Bad Debt of \$108,286 in Year 1 and \$215,643 in Year 2. These amount calculate to 43 cases in Year 1 and 84 cases in Year 2.

Charges

In Year One of the proposed project, the average charge per surgical case is as follows:

- Average Gross Charge
\$2,500
- Average Deduction from Operating Revenue
\$390
- Average Net Charge
\$2,110

Medicare/TennCare Payor Mix

- The applicant plans to participate in the Medicare and TennCare programs.

The applicant's projected payor mix for Year 1 is as follows:

Payor Source	Gross Revenue	% Gross Revenue
Medicare/Medicare Managed Care	\$497,866	12.0%
TennCare/Medicaid	\$53,935	1.3%
Commercial/Other Managed Care	\$3,551,442	85.6%
Self-Pay	\$0	0.0%
Charity	\$0	0.0%
Other	\$45,638	1.1%
TOTAL	\$4,148,881	100.0%

Source: CN1806-026

PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS

Licensure

- The proposed ASTC will be licensed by the Tennessee Department of Health

Certification

- The applicant plans to participate in Medicare and contract with all TennCare MCOs in West Tennessee.

Accreditation

- The applicant plans to seek accreditation from The Joint Commission.

Other Quality Standards

- In the first supplemental response the applicant commits to obtaining and/or maintaining the following:
 - Staffing levels
 - Licenses in good standing
 - Medicare TennCare/Medicaid certification
 - Self-assessment and external peer assessment processes
 - Maintaining the medical staff and ancillary support staff

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

Agreements

- The applicant expects to have transfer agreements with St. Francis Hospital and St. Francis Hospital-Bartlett
- The applicant expects to contract with the predominant managed care insurers in the market to include: Blue Cross of Tennessee, United Healthcare, CIGNA, and Aetna.
- The applicant will participate in Medicare and contract with Medicare Advantage Plans.
- The applicant expects to contract with the TennCare MCOS in West Tennessee to include: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select.

Impact on Existing Providers

- The applicant expects the majority of the surgical volume to be generated by a shift of outpatient procedures from the Surgery Center of Saint Francis that will alleviate crowding there.
- North Surgery Center is located in the service area but it is generally used by physicians who practice at Methodist North Hospital.

Staffing

The applicant's proposed staffing includes the following:

Position Type	FTEs
Registered Nurse	8.5
Surgical Technologists	3.5
Other	6.0
Total	18.0

Source: CN806-026

Corporate documentation, draft management agreement, and option to lease agreement are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Certificates of Need

Bartlett ASC, LLC, CN1605-020A, has an outstanding Certificate of Need that will expire on December 1, 2018. The project was approved at the October 26, 2016 Agency meeting for the establishment of a multi-specialty ambulatory surgical center (ASTC) providing outpatient surgery services. The estimated project cost was **\$9,837,855.48**. *Project Status: CN1806-026, if approved, will replace this outstanding CON.*

Tenet Healthcare has an interest in this project and the following:

Pending Applications

Northridge Surgery Center, CN1806-023, has a pending application that will be heard at the October 24, 2018 Agency meeting for the relocation of an existing multi-specialty ambulatory surgical treatment center (ASTC) with five operating rooms located at 647 Myatt Drive in Madison (Davidson County), Tennessee, 37115 to a new replacement facility with 3 operating rooms and one procedure room to be constructed on approximately a 2.2 acres site that is part of an undeveloped 17 acre site located at 601 Saundersville Road in Hendersonville (Sumner County), Tennessee. The estimated project cost is **\$17,141,813**.

Denied Applications

Saint Francis Hospital-Bartlett, CN1704-004D, was denied at the April 26, 2017 Agency meeting for the establishment of a satellite emergency department (ED) containing 12 treatment rooms in a 1-story 15,240 square foot building to be constructed on a 3.5-acre site near intersection of the Southeast Corner of I-40 and Airline Road, Arlington (Shelby County), a distance of approximately 9.0 miles northeast of SFH-Bartlett's 33-room ED on the main hospital campus in Memphis. The estimated project cost was **\$12,857,628**. *Reason for Denial: The application did not meet statutory criteria.*

Outstanding Certificates of Need

Crestwyn Behavioral Health, CN1803-018A, has an outstanding Certificate of Need that will expire on August 1, 2021. The project was approved at the June 27, 2018 Agency meeting for the addition of 14 psychiatric inpatient beds to its existing 66 bed mental health hospital. The existing 66 licensed beds consist of 33 adult psychiatric beds, 16 child/adolescent beds, and 17 adult dual diagnosis/substance abuse beds. The project proposes to increase total licensed beds to 80 beds. The adult beds will be increased to 36 beds (increase of 3), the child/adolescent beds will be increased to 32 beds (increase of 16). The dual diagnosis/substance abuse beds will be reduced from 17 beds to 12 beds (decrease of 5). The estimated project cost was **\$91,000.00**. *Project Status: This application was recently approved.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificates of Need

Campbell Clinic Surgery Center, CN1712-038A, has an outstanding Certificate of need that will expire on April 1, 2020. The CON was approved at the February 28, 2018 Agency meeting for the relocation and replacement of its current facility currently located at 1410 Brierbrook Road, Germantown (Shelby County) to a new facility in leased space at an unaddressed site on the south side of Wolf River Boulevard (525 feet east of its intersection with Germantown Road), Germantown, TN. A four story medical office building (MOB) will be constructed on land (5 acres) owned by the Campbell Clinic adjacent to the existing surgery center building. The ASTC will be located on the fourth floor of the MOB with three of the four floors dedicated to practice offices. This project will replace an approved but unimplemented CON (CN1208-040AEE) to expand the current surgery from four operating rooms and one procedure room to eight operating rooms and two procedure rooms. The eight operating rooms will be used for orthopedic cases and the two procedure rooms will be used for pain management cases. The surgery center will remain as having a closed medical staff, limited to the surgeons of Campbell Clinic, PC. The estimated total project cost is **\$21,485,200**. **Project Status:** *This project was recently approved.*

UCH Vascular Access ASC, CN1704-013A, has an outstanding Certificate of need that will expire on October 1, 2019. The CON was approved at the August 23, 2017 Agency meeting for the establishment of a single-specialty ambulatory surgical

Bartlett ASC, LLC

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treatment center (ASTC) located at 6490 Mt. Moriah Road Extended, Suite 202, Memphis (Shelby County), TN 38115. The ASTC will include one operating room and one procedure room and will be limited to surgeries and procedures related to vascular access and other hemodialysis oriented procedures. The estimated total project cost is **\$2,144,000**. Project Status: *A representative of the applicant provided an emailed update on 8/9/18 indicating that the project will be accomplished by transitioning the site (currently a physician office and clinic) to an ASTC. While the conversion has not yet been finalized, it is underway and is anticipated to be completed in late 2018 or early 2019, well in advance of the October 1, 2019 expiration date of the CON.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF
8/8/2018

LETTER OF INTENT



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor

502 Deaderick Street

Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the The Commercial Appeal which is a newspaper
(Name of Newspaper)
of general circulation in Shelby, Tennessee, on or before June 10, 20 18
(County) (Month/Day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Bartlett ASC, LLC

(Name of Applicant)

an ambulatory surgical treatment center

(Facility Type-Existing)

owned by: Bartlett ASC, LLC with an ownership type of limited liability company

and to be managed by: USP Tennessee, Inc. intends to file an application for a Certificate of Need

The relocation of an unimplemented ambulatory surgical treatment center
for [PROJECT DESCRIPTION BEGINS HERE]: (CN1605-020A) to provide outpatient surgery services from 0 Kate Bond
Boulevard, Bartlett, Shelby County, Tennessee 38133(address to be assigned) to 7845 US Hwy 64.

No licensed beds will be affected, and no major medical equipment will be purchased as a result of this project.

The cost of this project is expected not to exceed \$9,800,000.

The anticipated date of filing the application is: June 15, 20 18

The contact person for this project is Kim Harvey Looney, Esq. Attorney
(Contact Name) (Title)

who may be reached at: Waller Lansden Dortch & Davis LLP 511 Union Street, Suite 2700
(Company Name) (Address)

Nashville TN 37219 615 / 850-8722
(City) (State) (Zip Code) (Area Code) (Phone Number)

Kim H. Looney June 8, 2018 Kim.Looney@wallerlaw.com
(Signature) (Date) (Email-Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency

Andrew Jackson Building, 9th Floor

502 Deaderick Street

Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Application
(Copy)

Bartlett Asc, LLC
Bartlett (Shelby Co.)

CN1806-026

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Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
P.O. Box 198966
Nashville, TN 37219-8966

615.244.6380 main
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Kim Harvey Looney
615.850.8722 direct
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June 15, 2018

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building
9th Floor
502 Deaderick Street
Nashville TN 37243

Re: Bartlett ASC, LLC - Bartlett, Shelby County, Tennessee

Dear Melanie:

Please be advised that Bartlett ASC, LLC (the "Applicant") requests that the application be placed on the consent calendar for the August 22, 2018 hearing. This application is for the relocation of an approved but unimplemented CON for the same applicant (CN1605-020A). The project continues to be needed, is economically feasible, contributes to the orderly development of healthcare and will provide services at a high level of quality.

If you have any questions or need any additional information, please do not hesitate to call me.

Sincerely,



Kim Harvey Looney

KHL:lag

Attachment 1 - Section and Item Numbering
Revised Application Correcting Numbering



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION**SECTION A: APPLICANT PROFILE**1. Name of Facility, Agency, or Institution

Bartlett ASC, LLC

Name

7845 US Hwy 64

Street or Route

Bartlett

City

TN

State

Shelby

County

38133

Zip Code

Website address: www.uspi.com

Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

2. Contact Person Available for Responses to Questions

Kim H. Looney, Esq.

Name

Attorney

Title

Waller Lansden Dortch & Davis LLP

Company Name

Attorney

Email address

511 Union Street, Suite 2700

Street or Route

Nashville

City

TN

State

37219

Zip Code

Attorney

Association with Owner

615-850-8722

Phone Number

615-244-6804

Fax Number

NOTE:

Section A is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Response: The applicant is Bartlett ASC, LLC. Bartlett ASC received approval at the October, 2016 meeting of the HSDA for the initiation of outpatient surgery services and the establishment of an ambulatory surgical treatment center (CN1605-020A). Bartlett ASC requested and received an extension of time for the project in December 2017, for a period of one year. Since that time, the applicant has decided that a different site is more suitable for the location of the proposed ASTC. The old location was on Kate Bond Boulevard, at an address to be assigned, and the new location is at 7845 US Hwy 64, less than a half mile away, and only a little over 1,000 feet from SFH-Bartlett. The new location is on the third floor of an existing building. Therefore, the applicant is seeking approval for the change of site of a previously approved and unimplemented ASTC.

- 2) Ownership structure;

Response:

Applicant/Ownership Structure: The current member of Bartlett ASC, LLC, is USP Tennessee, Inc. ("USPT"). The parent company for these entities is United Surgical Partners International ("USPI"). USPI was founded in 1998, and is one of the prominent leaders in ambulatory surgery. USPI generally partners with physicians and health systems to own and operate ASTCs. USPI currently owns and operates over 280 short-stay ambulatory facilities where they serve more than 9,000 physicians and over one million patients each year. USPI maintains strategic joint-venture partnerships with more than 4,000 physicians and over 50 health systems nationwide. All of this is accomplished through a team of over 11,000 dedicated employees.

In Tennessee, USPI, or a related entity, has an ownership interest in 22 ASTCS and 1 specialty hospital. A list of these facilities is included in Attachment A, Executive Summary-2. Tenet purchased a controlling interest in USPI in 2015. As such, the structure of this ASTC is different than for those hospitals which are not ultimately owned by Tenet. In this situation, Saint Francis Hospital-Bartlett is not a direct owner of the Bartlett ASC, LLC. Instead, SFH-Bartlett will indirectly benefit from the establishment of this ASTC because the ultimate parent company of both Bartlett ASC, LLC and SFH-Bartlett is Tenet.

Facility/Services: The applicant proposes to relocate its previously approved unimplemented multi-specialty ASTC located on Kate Bond Boulevard to a new location at 7845 US Hwy 64, in Bartlett, a little over 1,000 feet from SFH-Bartlett. In Shelby County, there are 10 existing multi-specialty ASTCs. Two are owned by Campbell Clinic and limited to that physician group, and one is owned by and limited

to Semmes-Murphy. The remaining ASTCs are all affiliated with an area hospital, including the Surgery Center of Saint Francis, which is affiliated with SFH on Park Avenue..

- 3) Service area;

Response:

Service Area: The service area for the proposed ASTC includes portions of Shelby County as well as Fayette County. The zip codes that comprise the service area include 38134, 38002, 38135, 38016, 38133, 38128, 38053, 38127, 38068, 38060, 38018, 38122, 38108, 38028, and 38111. These zip codes are all included in the service area for SFH-Bartlett so it is reasonable to expect that an ASTC that is located in Bartlett would have a substantially similar service area. A map with these zip codes identified is included as Attachment C-Need-3.

- 4) Existing similar service providers;

Response: Existing Resources: There are no ASTCs in the entire proposed service area with the exception of North Surgery Center, which is located on the campus of and partially owned by Methodist North Hospital. North Surgery Center is generally used by those physicians who practice at Methodist North Hospital. Methodist closed its hospital in Fayette County in March, 2015. A significant number of those patients are choosing to receive care at SFH-Bartlett, which is the closest hospital. The population in this area is sufficient to support an ASTC and would allow residents to receive necessary surgery in a less restrictive setting than a hospital.

- 5) Project cost;

Response: The applicant anticipates leasing the ASTC space from 7845 Highway 64, LLC for a period of 10 years. The overall project costs are estimated to be approximately \$9.6M, which includes the net present value of the lease, the tenant improvements for the space, pre-opening expenses, working capital, and the equipment and furnishings necessary to operate the ASTC.

- 6) Funding;

Response: The applicant anticipates that part of the project will be funded from cash reserves and part will be a commercial loan.

- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and

Response: The project is financially feasible; the costs of the project are reasonable and the applicant expects to have a positive net income in year 2.

- 8) Staffing;

Response: The center will operate with 18.0 FTEs, 13.0 of which are clinical positions. Candidates are readily available from within the existing healthcare industry and the applicant's related facilities. The center will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and

engaging recruiting firms. The applicant's related facilities in Memphis have a history of successfully recruiting professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

Response: The applicant feels this project is clearly needed to meet the health care needs of service area residents. There is no outpatient surgery center in the applicant's service area, with the exception of the one on the campus of Methodist North, which is used by physicians who practice at Methodist North. The cost for outpatient surgeries performed in an ASTC is generally less than the cost in an acute care hospital, which is a benefit for patients. In addition, outpatient surgeries performed in an ASTC are considered to be performed in a less restrictive setting, which is also a benefit, particularly for patients from the more rural areas, and elderly patients, who may have difficulty navigating a hospital campus.

The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed. Many of the surgeries currently performed at The Surgery Center at Saint Francis, Saint Francis Hospital and SFH-Bartlett will be shifted to this surgery center, due to the type of surgery and/or convenience of the patients, which will be key to the success of the Bartlett ASC.

2) Economic Feasibility;

Response: The project is financially feasible; the costs of the project are reasonable and the applicant expects to have a positive cash flow in year 2.

3) Appropriate Quality Standards; and

Response: USPI participates in a full compliance and quality program. They measure hundreds of metrics for each patient because they feel it is important to know that they are organized to provide the highest quality; their patients received care that restored or maintained their health; and they provided care in the most efficient manner so that patients returned to home, school or work as quickly as possible. When breakdowns occur, or improvements need to be made, USPI has the information and infrastructure to make improvements.

Some of the metrics that USPI uses to evaluate quality include the following:

- % of cases, Surgical Safety Checklist Used
- % of Patients that Received Antibiotics within One Hour
- % of Patients with VTE Prophylaxis
- Average Start Time - All
- Central Line Infection Numerator
- Falls
- Medication Variance
- Total Returns to Surgery for Removal of Foreign Body
- Wrong Site Incidents
- All Transfers - ASC

4) Orderly Development to adequate and effective health care.

Response: There are no ASTCs in the applicant's service area. This area of Shelby County is one of the fastest growing areas of the county. The shift of outpatient procedures to a location more convenient to service area residents will help alleviate the crowding at The Surgery Center of Saint Francis. The facilities whose utilization rates are expected to decrease are all Tenet facilities, so it is simply a shift of utilization between entities with a common owner at the top of the ownership chain. In addition, a shift of procedures to an ASTC will allow service area residents to receive services in a more efficient and cost effective manner and location. There is no duplication of services because there is currently no ASTC in the service area, with the exception of North Surgery Center, which is on the campus of Methodist North and generally used by physicians who practice at that location.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

Response: Since this proposed project is for the relocation of a previously approved and unimplemented CON (CN1605-020A), and the project is substantially the same, the applicant would like to request to be on the consent calendar and has submitted a letter to Melanie Hill at the time of filing this application.

4. SECTION A: PROJECT DETAILSA. Owner of the Facility, Agency or Institution

<u>Bartlett ASC, LLC</u>	<u>615-376-7330</u>
Name	Phone Number
<u>8 Cadillac Dr. Suite 200</u>	<u>Williamson</u>
Street or Route	County
<u>Brentwood</u>	<u>37027</u>
City	State
<u>TN</u>	<u>Zip Code</u>

B. Type of Ownership of Control (Check One)

- | | | | |
|---------------------------------|-------|------------------------------|----------|
| A. Sole Proprietorship | _____ | F. Government (State of TN | _____ |
| B. Partnership | _____ | or Political Subdivision) | _____ |
| C. Limited Partnership | _____ | G. Joint Venture | _____ |
| D. Corporation (For Profit) | _____ | H. Limited Liability Company | <u>X</u> |
| E. Corporation (Not-for-Profit) | _____ | I. Other (Specify) | _____ |

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

Response: See copy of entity information included as Attachment A-4A.

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

5. Name of Management/Operating Entity (If Applicable)

<u>USP Tennessee, Inc.</u>	
Name	
<u>15305 Dallas Parkway, Suite 1600</u>	<u>Dallas</u>
Street or Route	County
<u>Addison</u>	<u>75001</u>
City	State
	Zip Code

Website address: www.uspi.com

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

Response: See Draft Management Agreement included as Attachment Section A-5.

6A. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-------------------------|-------|--------------------|----------|
| A. Ownership | _____ | D. Option to Lease | <u>X</u> |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

Response: See copy of Option to Lease and Deed included as Attachment A-6A.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include**:
- a. Size of site (*in acres*);
 - b. Location of structure on the site;
 - c. Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.

Response: See plot plan included as Attachment 6B-1.

- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

Response: See floor plan included as Attachment 6B-2.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

Response: The relocated site is at 7845 US Hwy 64, in Bartlett, Tennessee. Memphis Area Transit Authority operates the Wolfchase bus route on Highway 64. The route provides regular daily service. This route connects with other bus service throughout the Memphis area. Due to patient discharge policies, however, bus and taxi access is not advisable. Patients generally arrive and leave via private automobile. The location is very accessible by automobile; located less than two miles off of Interstate 40. The location is also off Highway 64, which is a major thoroughfare in Bartlett, providing easy access to the proposed site by automobile.

June 28, 2018

3:29 P.M.

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | |
|--|--|
| A. Hospital (Specify) _____ | I. Nursing Home _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <u>X</u> | J. Outpatient Diagnostic Center _____ |
| C. ASTC, Single Specialty _____ | K. Recuperation Center _____ |
| D. Home Health Agency _____ | L. Rehabilitation Facility _____ |
| E. Hospice _____ | M. Residential Hospice _____ |
| F. Mental Health Hospital _____ | N. Non-Residential Methadone Facility _____ |
| G. Mental Health Residential Treatment Facility _____ | O. Birthing Center _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility (Specify) _____ |
| | Q. Other (Specify) _____ |

Check appropriate lines(s).

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | |
|--|---|
| A. New Institution _____ | G. Change in Bed Complement _____ |
| B. Replacement/Existing Facility _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] |
| C. Modification/Existing Facility _____ | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) _____ | H. Change of Location <u>X</u> |
| E. Discontinuance of OB Services _____ | I. Other (Specify) _____ |
| F. Acquisition of Equipment _____ | |

9. Medicaid/TennCare, Medicare ParticipationMCO Contracts [Check all that apply]X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare SelectMedicare Provider Number: To be applied forMedicaid Provider Number: To be applied forCertification Type: ASC

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare X Yes _____ No _____ N/A Medicaid/TennCare X Yes _____ No _____ N/A

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	<i>Current Licensed</i>	<i>Beds Staffed</i>	<i>Beds Proposed</i>	<i>*Beds Approved</i>	<i>**Beds Exempted</i>	<i>TOTAL Beds at Completion</i>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL						
*Beds approved but not yet in service **Beds exempted under 10% per 3 year provision						

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below. Response: Not applicable.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply:

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Response: Not applicable.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:
 - A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types: _____	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____	
	Total Cost*: _____		<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____	
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished			
<input type="checkbox"/> MRI	Tesla: _____	Magnet: _____	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____	
	Total Cost*: _____		<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____	
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished			
<input type="checkbox"/> PET	<input type="checkbox"/> PET only	<input type="checkbox"/> PET/CT	<input type="checkbox"/> PET/MRI	
	Total Cost*: _____		<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____	
	<input type="checkbox"/> New <input type="checkbox"/> Refurbished			

* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

Response: Not applicable.

- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

Response: Not applicable.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)		
Mobile Locations (Applicant)		
(Name of Other Location)		
(Name of Other Location)		

Response: Not applicable.

E. Identify the clinical applications to be provided that apply to the project.

Response: Not applicable.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

Response: Not applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

QUESTIONS**SECTION B: NEED**

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

AMBULATORY SURGICAL TREATMENT CENTERS

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to establish or expand Ambulatory Surgical Treatment Centers (ASTCs). Existing ASTCs are not affected by these standards and criteria unless they take an action that requires a new certificate of need (CON) for the establishment or expansion of an ASTC.

These standards and criteria are effective immediately as of May 23, 2013, the date of approval and adoption by the Governor of the State Health Plan changes for 2013. Applications to establish or expand an ASTC that were deemed complete by the HSDA prior to this date shall be considered under the Guidelines for Growth, 2000 Edition.

Assumptions in Determination of Need

The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms
 - a. An operating room is available 250 days per year, 8 hours per day.

Response: The operating rooms will be available 250 days per year, 8 hours per day.

b. The estimated average time per Case in an Operating Room is 65 minutes.

Response: The applicant anticipates that the average time per case in an operating room will be 65 minutes or longer.

c. The average time for cleanup and preparation between Operating Room Cases is 30 minutes.

Response: The applicant anticipates that the average time for cleanup will be 30 minutes or less.

d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity. $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day}$ divided by 95 minutes 884 Cases per year.

Response: The applicant anticipates that it will meet the standard of 884 Cases per year in the third year of operation.

2. Procedure Rooms

a. A procedure room is available 250 days per year, 8 hours per day.

Response: The procedure room will be available 250 days per year, 8 hours per day.

b. The estimated average time per outpatient Case in a procedure room is 30 minutes.

Response: The applicant anticipates that the average time per outpatient Case in a procedure room will be 30 minutes.

c. The average time for cleanup and preparation between Procedure Room Cases is 30 minutes.

Response: The applicant anticipates that the average time for cleanup and preparation between procedure room Cases will be 30 minutes or less.

d. The optimum utilization of a dedicated, outpatient, general-purpose outpatient Procedure Room is 70% of full capacity. $70\% \times 250 \text{ days/year} \times 8 \text{ hours/day}$ divided by 45 minutes = 1,867 Cases per year.

Response: The applicant anticipates meeting the standard of 1,867 cases per year in Year 2.

Determination of Need

1. Need. The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

Response: The applicant anticipates having 2 operating rooms and 1 procedure room in the ASTC, with space shelled in for an additional operating room when utilization is sufficient to justify completing it for operation. The applicant anticipates that the ASTC will perform over 3,200 cases in the second full year of operation. The applicant anticipates that the average surgical case will take 65 minutes and a procedural case such as a pain management epidural procedure or gastroenterology will take 30 minutes. The room turnover for both types of cases is expected to take 30 minutes or less. The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed.. The orthopedic, general surgery, and neurosurgery/spinal procedures will be performed in an operating room and the gastroenterology and pain management procedures will be performed in a procedure room. Procedures performed in a procedure room are anticipated to take less time than the procedures performed in the operating rooms. Therefore, for the sake of cost and efficiency, for both the ASTC and the patients, it is important to have a separate procedure room in which they can be performed. It is also important to have more than one operating room so that the turnover time between surgeries can be minimized.

The number of cases projected for the first year of operation is a total of 1,659, with 609 being performed in the operating rooms and 1,050 being performed in the procedure room.

For the second year of operation, the applicant projects 1,183 surgical cases and 2,040 procedure room cases, for a total of 3,223.

According to the CON Guidelines, the optimal utilization for operating rooms is 884 cases per room and for procedure rooms it is 1,867 cases per room. With a projection of 1,183 cases for the 2 operating rooms in year 2, the applicant anticipates exceeding the guideline of 884 cases per room in the 3rd year of operation. For the procedure room, the applicant anticipates performing 2,040 cases in the procedure room, so it will exceed the Guideline of 1,867 cases in year 2 of its operation.

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2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

Response: The applicant anticipates that general surgery, pain management, neurosurgery/spine, gastroenterology, and orthopedic procedures will be performed. In the first year of operation, the 1,659 projected cases are estimated to require 2,015 hours. In the second year of operation, the 3,223 projected cases are estimated to require 3,914 hours. These estimates are derived from the following assumptions: the average surgical case takes 65 minutes, the average procedural case takes 30 minutes, and room turnover for each takes 30 minutes or less.

Projected Surgical Hours

	Year 1			Year 2		
	Cases	Time/Case	Total Hours	Cases	Time/Case	Total Hours
Projected Surgical Cases	609	1:35	965	1,183	1:35	1,874
Projected Procedures	1,050	1:00	1,050	2,040	1:00	2,040
Total Cases	1,659			3,223		
Total Time in Hours			2,015			3,914

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Response: All of the existing multi-specialty ASTCs in Shelby County are either affiliated and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12th largest city in the State of Tennessee and the 2nd largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

Saint Francis Hospital added The Surgery Center of Saint Francis on its campus over ten years ago, which was after most of the other hospitals in Shelby County had added ASTCs to their campuses. SFH-Bartlett has been open for 14 years, and at the request of some of its doctors, the applicant is applying for the Bartlett ASC, LLC. This speaks to an orderly progression of the addition of outpatient surgical services. The cost for outpatient surgeries performed in an ASTC is generally less than the cost in an acute care hospital, which is a benefit for

patients. In addition, outpatient surgeries performed in an ASTC are considered to be performed in a less restrictive setting, which is consistent with the State Health Plan and is particularly beneficial for elderly patients and patients from the more rural areas, who may have difficulty navigating a hospital campus.

As can be seen in the utilization in the tables below, for 2017, Campbell Clinic Surgery Center, Hamilton Eye Institute Surgery Center, Mays & Schnapp Pain Clinic & Rehabilitation Center, Methodist Surgery Center Germantown, Ridge Lake Ambulatory Surgery Center, Shea Clinic, The Surgery Center at Saint Francis, and Urocenter all operated at or above the standard of 884 cases per operating room. Those ASTCs operating above the 1,867 cases per procedure room included Campbell Clinic, Semmes-Murphy, GI Diagnostic and Therapeutic Center, Memphis Gastroenterology Endoscopy Center and Mid-South Gastroenterology Group. Facilities that perform a significant number of pain management and/or gastroenterology procedures would be expected to be above this minimum standard.

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Utilization of Operating and Procedure Rooms
Shelby County 2017

Supplemental #1

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Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	2,981	596	0	0	0
Campbell Clinic Surgery Center	4	3,558	889	1	3,226	3,226
Campbell Clinic Surgery Center Midtown	4	2,999	750	0	0	0
East Memphis Surgery Center	6	4,033	672	3	1,219	406
Le Bonheur East Surgery Center II	4	2,641	660	0	0	0
Memphis Surgery Center	4	2,976	744	1	26	26
Methodist Surgery Center Germantown	4	3,912	978	1	1,336	1,336
North Surgery Center	4	2,334	584	1	1,126	1,126
Semmes-Murphey Clinic	3	1,480	493	2	5,185	2,593
Surgery Center at Saint Francis	4	4,371	1,093	2	3,293	1,647
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms	Cases Performed in all Operating Rooms	Cases per Room	Procedure Rooms	Cases Performed in all Procedure Rooms	Cases per Procedure Room
Eye Care Surgery Center of Memphis	2	1,459	730	1	0	0
Germantown Ambulatory Surgical Center	1	128	128	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	13,616	2,269
Hamilton Eye Institute Surgery Center	3	3,324	1,108	2	490	245
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	8,265	4,133	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1916	958
Memphis Eye & Cataract Ambulatory Surgical Center	3	426	742	1	303	303
Memphis Gastroenterology Endoscopy Center	0	0	0	6	11,775	1,962
Mid-South Gastroenterology Group	1	0	0	3	6,059	2,020
Mid-South Interventional Pain Institute	0	0	0	2	3,376	1,688
Planned Parenthood Greater Memphis Region	0	0	0	2	2,187	1,094
Radiosurgical Center of Memphis	0	0	0	1	126	126
Ridge Lake Ambulatory Surgery Center	4	5,659	1,415	2	1,822	911
Shea Clinic	2	2,372	1,186	0	0	0
Urocenter	3	4,119	1,373	0	0	0
Wolf River Surgery Center	4	3,170	793	2	2,573	1,287

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

**Utilization of Operating and Procedure Rooms
Shelby County 2016**

Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,861	772	0	0	0
Campbell Clinic Surgery Center	4	3,322	831	1	3,466	3,466
Campbell Clinic Surgery Center Midtown	4	2,753	688	0	0	0
East Memphis Surgery Center	6	4,246	708	3	1,155	385
Le Bonheur East Surgery Center II	4	2,462	616	0	0	0
Memphis Surgery Center	4	1,686	422	1	0	0
Methodist Surgery Center Germantown	4	3,987	997	1	1,248	1,248
North Surgery Center	4	592	588	1	1,174	1,174
Semmes-Murphey Clinic	3	1,536	512	2	5,129	2,565
Surgery Center at Saint Francis	4	3,611	903	2	3,126	1,563
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Eye Care Surgery Center of Memphis	2	1,551	776	1	0	0
Germantown Ambulatory Surgical Center	1	136	136	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,228	2,538
Hamilton Eye Institute Surgery Center	3	3,260	1,087	2	479	240
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,395	2,198	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1,925	963
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,993	664	1	414	414
Memphis Gastroenterology Endoscopy Center	0	0	0	6	10,480	1,747
Mid-South Gastroenterology Group	1	0	0	3	7,737	2,579
Mid-South Interventional Pain Institute	0	0	0	2	3,360	1,680
Planned Parenthood Greater Memphis Region	0	0	0	2	1,881	941
Radical Surgical Center of Memphis	0	0	0	1	110	110
Ridge Lake Ambulatory Surgery Center	3	5,434	1,811	4	3,203	801
Shea Clinic	2	2,563	1,282	0	0	0
Urocenter	3	4,091	1,364	0	0	0
Wesberry Surgery Center	1	1,429	1,429	0	0	0
Wolf River Surgery Center	4	3,185	796	2	2,591	1,296

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

**Utilization of Operating and Procedure Rooms
Shelby County 2015**

Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,811	762	0	0	0
Campbell Clinic Surgery Center	4	3,483	871	1	3,769	3,769
Campbell Clinic Surgery Center Midtown	4	1,323	331	0	0	0
East Memphis Surgery Center	6	4,190	698	3	1,151	394
Le Bonheur East Surgery Center II	4	4,108	1,027	0	0	0
Memphis Surgery Center	4	2,652	663	1	0	0
Methodist Surgery Center Germantown	4	3,943	986	1	1,252	1,252
North Surgery Center	4	2,351	588	1	1,339	1,339
Semmes-Murphey Clinic	3	1,570	523	2	4,712	2,356
Surgery Center at Saint Francis	4	5,288	1,322	2	1,118	559
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Endoscopy Center of the Mid-South	0	0	0	1	2,022	2,022
Eye Care Surgery Center of Memphis	2	0	0	1	1,206	1,206
Germantown Ambulatory Surgical Center	1	106	106	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,128	2,521
Hamilton Eye Institute Surgery Center	3	3,527	1,176	2	545	273
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,422	2,211	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	2,124	1,062
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,656	552	1	356	356
Memphis Gastroenterology Endoscopy Center	0	0	0	6	9,525	1,588
Mid-South Gastroenterology Group	0	0	0	3	7,506	2,502
Mid-South Interventional Pain Institute	0	0	0	2	2,728	1,364
Planned Parenthood Greater Memphis Region	0	0	0	2	3,311	1,656
Ridge Lake Ambulatory Surgery Center	2	4,493	2,247	4	2,448	612
Shea Clinic	2	2,263	1,132	0	0	0
Urocenter	3	3,648	1,216	0	0	0
Wesberry Surgery Center	1	1,500	1,500	0	0	0
Wolf River Surgery Center	4	2,749	687	2	2,480	1,240

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

4. **Need and Economic Efficiencies.** An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

Response: The Surgery Center at Saint Francis, located at 5959 Park Avenue, in front of Saint Francis Hospital, is owned by Saint Francis Surgery Center, LLC. The utilization at this surgery center for operating room surgical cases is the highest in Shelby County in 2017 at 1,093 cases per operating room. The applicant anticipates that a significant number of its outpatient surgical volume will come from the cases currently being performed at the Surgery Center of Saint Francis, partly because of the type of case it is and partly because some of the patients who are receiving services reside closer to the proposed Bartlett ASC site than the Surgery Center at Saint Francis. The shift of some of the surgical volume from the Surgery Center at Saint Francis will help the Surgery Center at Saint Francis to better manage its volume and allow service area residents to receive necessary surgery closer to home.

It is important to look at the market of multi-specialty surgery centers in Shelby County and note their ownership or affiliation. They are all either affiliated and/or owned by a hospital in the area, or limited to a particular physician group. Please see the table below.

Affiliations of ASTCs in Service Area

	Affiliations
Baptist Germantown Surgery Center	Baptist Memorial Hospital
Campbell Clinic Surgery Center	Campbell Clinic Orthopaedics
Campbell Clinic Surgery Center Midtown	Campbell Clinic Orthopaedics
East Memphis Surgery Center	Baptist Memorial Hospital
Le Bonheur East Surgery Center II	Methodist Healthcare
Memphis Surgery Center	Baptist Memorial Hospital
Methodist Surgery Center Germantown	Methodist Healthcare
North Surgery Center	Methodist Healthcare
Semmes-Murphey Clinic	Semmes-Murphey Clinic Physicians
Surgery Center at Saint Francis	Saint Francis Hospital

The applicant anticipates that the surgery center will have the greatest impact on Saint Francis Hospital, The Surgery Center at Saint Francis, and SFH-Bartlett. The applicant anticipates that the ASTC should have little to no impact on other area ASTCs. As is shown in the table above, all of the multispecialty ASTCs in Shelby County are either affiliated with an existing hospital or limited to a particular physician group, as in the case of Campbell Clinic and Semmes-Murphey. As the applicant anticipates that the majority of its projected cases are expected to come from utilization of physicians who perform more of their cases at Saint Francis Hospital, Surgery Center at Saint Francis, and SFH-Bartlett, than at any other surgery center, it should have relatively little impact on the ASTCs that are affiliated with other hospital systems in Shelby County.

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5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

Response: Not applicable. The ASTC is not applying for a Specialty ASTC. The applicant anticipates that orthopedic, pain management, neurosurgery/spinal, gastroenterology and general surgical procedures will be performed at the proposed ASTC upon its approval. It anticipates the list of specialties will expand after implementation of the ASTC. The applicant anticipates that it will need to expand these service offerings, as well as finish the shelled OR, based on demand in the service area.

Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

Response: The majority of the population that is expected to receive services at this ASTC will be within 60 minutes driving time to the facility.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

Response: The relocated site is at 7845 US Hwy 64, in Bartlett, Tennessee. Memphis Area Transit Authority operates the Wolfchase bus route on Highway 64. The route provides regular daily service. This route connects with other bus service throughout the Memphis area. Due to patient discharge policies, however, bus and taxi access is not advisable. Patients generally arrive and leave via private automobile.

The location is very accessible by automobile. The proposed site is less than two miles off of Interstate 40. The location is also off Highway 64, which is a major thoroughfare in Bartlett, providing easy access to the proposed site by automobile for the community.

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8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: Please see attached tables for demographics of the service area.

**2016
Bartlett ASC
Service Area by Zip Code**

Area ZIP Code	City	Current Population
38134	Memphis	43,679
38002	Arlington	40,125
38135	Memphis	29,040
38016	Cordova	46,763
38133	Memphis	21,324
38128	Memphis	44,901
38053	Millington	26,875
38127	Memphis	44,131
38068	Somerville	9,750
38060	Oakland	9,901
38018	Cordova	37,107
38122	Memphis	24,546
38108	Memphis	18,918
38028	Eads	6,734
38111	Memphis	41,742
TOTAL		445,536

Source: 2012-2016 American Community Survey 5-Year Estimates

Demographic Characteristics of Service Area by County

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Demographic	Shelby County	Fayette County	Tennessee
Median Age – 2012-16 ACS	35.1	47.7	38.5
Age 65+ Population – 2018	125,618	8,734	1,119,024
% of Total Population	13.3%	21.4%	16.5%
Age 65+ Population – 2020	133,579	9,479	1,189,428
% of Total Population	14.1%	22.6%	17.3%
Median Household Income	\$46,854	\$51,290	\$46,574
TennCare Enrollees (4/18)	245,409	6,895	1,432,475
Percent of 2018 Population Enrolled in TennCare	26%	16.9%	21.2%
Persons Below Poverty Level (2018)	196,471	5,774	1,100,169
Persons Below Poverty Level as % of Population (US Census)	21.4%	15%	17.2%

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: During the first year of operation, the applicant anticipates that it will take until the 4th quarter to be substantially ramped up. At that point and moving into the 2nd year of operation, it is anticipated that the surgeries performed will be evenly distributed across quarters.

**Bartlett ASC
Projected Utilization for First Eight Quarters**

	Year 1	Year 2
1 st Quarter	79	805
2 nd Quarter	237	806
3 rd Quarter	553	806
4 th Quarter	790	806
Total	1,659	3,223

10. Patient Safety and Quality of Care: Health Care Workforce

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

Response: The applicant will seek accreditation through The Joint Commission. All of the USPI facilities are accredited by either The Joint Commission or the Accreditation Association of Ambulatory Health Care.

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Response: The applicant anticipates initially credentialing approximately 4 orthopedic surgeons, 4 general surgeons, 2 gastroenterologists, and 1 neurosurgeon/spine/pain management specialist. Additionally, adequate anesthesiologists and CRNAs will be credentialed to manage and administer anesthesia services to the facilities' patients. Generally, an ASTC of this size would require the credentialing of approximately ten anesthesia providers that would practice at the center on a rotating basis. The facility plans to contract with pathologists to provide professional laboratory services to the center, as well as with a N/Aa radiologist to provide oversight to the center's radiological safety program.

The applicant anticipates having sufficient staff for the ASTC with RNs, surgical technologists and office staff.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Response: While the proposed service area does not qualify as a medically underserved area, there is currently no ASTC in this service area, with the exception of North Surgery Center, which is located on the campus of Methodist North Hospital.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Response: Not applicable.

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- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Response: The applicant will be contracted with all TennCare MCOs in the service area and will participate in the Medicare program.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Response: The applicant anticipates that the procedures to be performed in the procedure room will take on average 30 minutes.

- B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

Response: This proposal is consistent both with the applicant facilities long-range development plan as well as for Tenet, which is the controlling owner for USPI, and the ultimate parent entity for SFH-Bartlett. As such it is also consistent with the long-range plans of the two Tenet hospitals in Shelby County - Saint Francis Hospital and SFH - Bartlett. Hospitals have to be competitive and provide services better, faster and cheaper. One way this is being carried out is for minimally invasive procedures to be moved out of the hospital setting to an ASTC, which is a lower cost provider.

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable.

Attachment Section B - Need-C.

Response: Please see maps included as Attachment Section B, Need-3. Both a county map and a zip code map are included to identify the proposed service area.

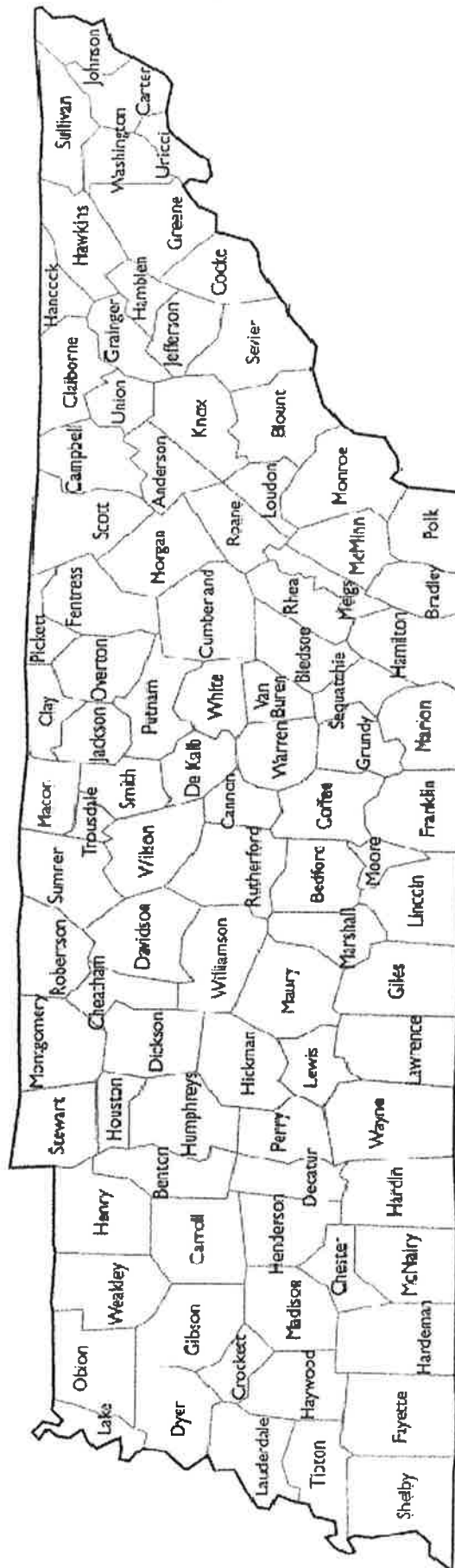
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	N/A	N/A
County #2	N/A	N/A
Etc.	N/A	N/A
Total	N/A	100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1 Shelby	1,288	77.6
County #2 Fayette	186	11.2
County #3 Other TN	114	6.9
Etc. Other state	71	4.3
Total	1,659	100%

Response: The above tables show the projected utilization for the counties in the service area.

County Level Map



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- D. 1) a) Describe the demographics of the population to be served by the proposal.
- b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/ Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population- Current Year 2018	Total Population- Projected Year 2020	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population- % Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Fayette County	40,742	41,852	2.7%	N/A	N/A	N/A	N/A	44.4	\$55,972	5,774	15%	6,895	16.9%
Shelby County	942,648	950,532	0.8%	N/A	N/A	N/A	N/A	35.1	\$46,854	196,471	21.4%	245,409	26%
Service Area Total	983,390	992,384	0.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	352,304	35.8%
State of TN Total	6,769,368	6,883,347	1.7%	N/A	N/A	N/A	N/A	38.5	\$46,574	1,100,169	17.2%	1,432,475	21.2%

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The Bartlett ASC anticipates being readily accessible to the service area population and will serve the elderly, women, racial and ethnic minorities, and low income groups.

Demographic Characteristics of Service Area by County

Demographic	Shelby County	Fayette County	Tennessee
Age 65+ Population – 2018	125,618	8,734	1,119,024
% of Total Population	13.3%	21.4%	16.5%
Age 65+ Population – 2020	133,579	9,479	1,189,428
% of Total Population	14.1%	22.6%	17.3%
TennCare Enrollees (4/18)	245,409	6,895	1,432,475
Percent of 2018 Population Enrolled in TennCare	26%	16.9%	21.2%
Persons Below Poverty Level (2018)	196,471	5,774	1,100,169
Persons Below Poverty Level as % of Population (US Census)	21.4%	15%	17.2%

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: There are no ASTCs existing in Bartlett, nor are there any that have been approved but are unimplemented, other than this one. Bartlett is the 12th largest city in the State of Tennessee and the 2nd largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period. The only ASTC in the entire service area is North Surgery Center, located on the campus of Methodist North Hospital. The following tables show utilization for ASTCs in Shelby County for the past three years.

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Utilization of Operating and Procedure Rooms
Shelby County 2017

Supplemental #1

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Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	2,981	596	0	0	0
Campbell Clinic Surgery Center	4	3,558	889	1	3,226	3,226
Campbell Clinic Surgery Center Midtown	4	2,999	750	0	0	0
East Memphis Surgery Center	6	4,033	672	3	1,219	406
Le Bonheur East Surgery Center II	4	2,641	660	0	0	0
Memphis Surgery Center	4	2,976	744	1	26	26
Methodist Surgery Center Germantown	4	3,912	978	1	1,336	1,336
North Surgery Center	4	2,334	584	1	1,126	1,126
Semmes-Murphey Clinic	3	1,480	493	2	5,185	2,593
Surgery Center at Saint Francis	4	4,371	1,093	2	3,293	1,647
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms	Cases Performed in all Operating Rooms	Cases per Room	Procedure Rooms	Cases Performed in all Procedure Rooms	Cases per Procedure Room
Eye Care Surgery Center of Memphis	2	1,459	730	1	0	0
Germantown Ambulatory Surgical Center	1	128	128	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	13,616	2,269
Hamilton Eye Institute Surgery Center	3	3,324	1,108	2	490	245
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	8,265	4,133	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1916	958
Memphis Eye & Cataract Ambulatory Surgical Center	3	426	742	1	303	303
Memphis Gastroenterology Endoscopy Center	0	0	0	6	11,775	1,962
Mid-South Gastroenterology Group	1	0	0	3	6,059	2,020
Mid-South Interventional Pain Institute	0	0	0	2	3,376	1,688
Planned Parenthood Greater Memphis Region	0	0	0	2	2,187	1,094
Radiosurgical Center of Memphis	0	0	0	1	126	126
Ridge Lake Ambulatory Surgery Center	4	5,659	1,415	2	1,822	911
Shea Clinic	2	2,372	1,186	0	0	0
Urocenter	3	4,119	1,373	0	0	0
Wolf River Surgery Center	4	3,170	793	2	2,573	1,287

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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**Utilization of Operating and Procedure Rooms
Shelby County 2016**

Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,861	772	0	0	0
Campbell Clinic Surgery Center	4	3,322	831	1	3,466	3,466
Campbell Clinic Surgery Center Midtown	4	2,753	688	0	0	0
East Memphis Surgery Center	6	4,246	708	3	1,155	385
Le Bonheur East Surgery Center II	4	2,462	616	0	0	0
Memphis Surgery Center	4	1,686	422	1	0	0
Methodist Surgery Center Germantown	4	3,987	997	1	1,248	1,248
North Surgery Center	4	592	588	1	1,174	1,174
Semmes-Murphey Clinic	3	1,536	512	2	5,129	2,565
Surgery Center at Saint Francis	4	3,611	903	2	3,126	1,563
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Eye Care Surgery Center of Memphis	2	1,551	776	1	0	0
Germantown Ambulatory Surgical Center	1	136	136	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,228	2,538
Hamilton Eye Institute Surgery Center	3	3,260	1,087	2	479	240
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,395	2,198	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	1,925	963
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,993	664	1	414	414
Memphis Gastroenterology Endoscopy Center	0	0	0	6	10,480	1,747
Mid-South Gastroenterology Group	1	0	0	3	7,737	2,579
Mid-South Interventional Pain Institute	0	0	0	2	3,360	1,680
Planned Parenthood Greater Memphis Region	0	0	0	2	1,881	941
Radiosurgical Center of Memphis	0	0	0	1	110	110
Ridge Lake Ambulatory Surgery Center	3	5,434	1,811	4	3,203	801
Shea Clinic	2	2,563	1,282	0	0	0
Urocenter	3	4,091	1,364	0	0	0
Wesberry Surgery Center	1	1,429	1,429	0	0	0
Wolf River Surgery Center	4	3,185	796	2	2,591	1,296

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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**Utilization of Operating and Procedure Rooms
Shelby County 2015**

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Multispecialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Baptist Germantown Surgery Center	5	3,811	762	0	0	0
Campbell Clinic Surgery Center	4	3,483	871	1	3,769	3,769
Campbell Clinic Surgery Center Midtown	4	1,323	331	0	0	0
East Memphis Surgery Center	6	4,190	698	3	1,151	394
Le Bonheur East Surgery Center II	4	4,108	1,027	0	0	0
Memphis Surgery Center	4	2,652	663	1	0	0
Methodist Surgery Center Germantown	4	3,943	986	1	1,252	1,252
North Surgery Center	4	2,351	588	1	1,339	1,339
Semmes-Murphey Clinic	3	1,570	523	2	4,712	2,356
Surgery Center at Saint Francis	4	5,288	1,322	2	1,118	559
Single-specialty Ambulatory Surgical Treatment Centers						
	Operating Rooms (OR)	Cases Performed in all ORs	Cases per OR	Procedure Rooms (PR)	Cases Performed in all PRs	Cases per PR
Endoscopy Center of the Mid-South	0	0	0	1	2,022	2,022
Eye Care Surgery Center of Memphis	2	0	0	1	1,206	1,206
Germantown Ambulatory Surgical Center	1	106	106	0	0	0
GI Diagnostic and Therapeutic Center	0	0	0	6	15,128	2,521
Hamilton Eye Institute Surgery Center	3	3,527	1,176	2	545	273
Mays & Schnapp Pain Clinic & Rehabilitation Center	2	4,422	2,211	0	0	0
Memphis Center for Reproductive Health	0	0	0	2	2,124	1,062
Memphis Eye & Cataract Ambulatory Surgical Center	3	1,656	552	1	356	356
Memphis Gastroenterology Endoscopy Center	0	0	0	6	9,525	1,588
Mid-South Gastroenterology Group	0	0	0	3	7,506	2,502
Mid-South Interventional Pain Institute	0	0	0	2	2,728	1,364
Planned Parenthood Greater Memphis Region	0	0	0	2	3,311	1,656
Ridge Lake Ambulatory Surgery Center	2	4,493	2,247	4	2,448	612
Shea Clinic	2	2,263	1,132	0	0	0
Urocenter	3	3,648	1,216	0	0	0
Wesberry Surgery Center	1	1,500	1,500	0	0	0
Wolf River Surgery Center	4	2,749	687	2	2,480	1,240

Note: Minimum number of 884 cases per operating room and 1,867 per procedure room.

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- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Please see the projected annual utilization for each of the two (2) years following completion of the project in the chart below.

Projected Annual Utilization

Specialty	Percentage of Cases	Year 1	Year 2
General Surgery	9%	158	306
Orthopedics	21%	347	673
Neurosurgery/spine	6%	105	204
Gastroenterology	57%	945	1,836
Pain Management	6%	105	204
Total	100%	1,659	3,223

SECTION B: ECONOMIC FEASIBILITY

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

Response: Please see Project Costs chart.

- 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response: Please see the net present value of the total lease payments included on the project costs chart. It is the applicant's understanding that this represents the fair market value of the lease payments.

- 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response: Please see the costs for fixed and moveable equipment of \$2,919,831 included on the project costs chart.

- 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

Response: Please note the ASTC will be located on the third floor of an existing building. While there are costs for tenant improvements to ensure the space is suitable for an ASTC, there are no construction costs.

- 5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

- a) A general description of the project;
- b) An estimate of the cost to construct the project;
- c) A description of the status of the site's suitability for the proposed project; and
- d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Response: Please see the project costs chart on the following page. The building is an existing office building that will have space renovated to accommodate the new surgery center location. The executed Option to Lease between Bartlett ASC, LLC and 7845 Highway 64, LLC as Landlord and the Deed are included as Attachment A-6A.

PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees		\$75,000
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees		\$70,000
3. Acquisition of Site		
4. Preparation of Site		
5. Total Construction Costs		
6. Contingency Fund		
7. Fixed Equipment (Not included in Construction Contract)		
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)		\$2,919,831
9. Other (Specify) <u>Tenant Improvements</u>		\$3,093,777
10. Pre-Opening Expenses		\$479,683
B. Acquisition by gift, donation, or lease:		
1. Facility (inclusive of building and land)		\$2,340,000
2. Building only		
3. Land only		
4. Equipment (Specify) _____		
5. Other (Specify)		
C. Financing Costs and Fees:		
1. Interim Financing		
2. Underwriting Costs		
3. Reserve for One Year's Debt Service		
4. Other (Specify): <u>Working Capital</u>		\$1,000,000
D. Estimated Project Cost		
(A+B+C)		\$9,978,291.00
E. CON Filing Fee		\$57,375.19
F. Total Estimated Project Cost		
(D+E)	TOTAL	\$10,035,666.19

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

- ☒ 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants – Notification of intent form for grant application or notice of grant award;
- ☒ 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☐ 6) Other – Identify and document funding from all other sources.

Response: The applicant will lease space for the ASTC which will be paid from current operating reserves. Other costs in the amount of approximately \$1,372,000 will be paid from cash reserves. Please see letter from CFO attesting to the availability of the necessary funds. The remaining funds of \$5.1M will be provided through a commercial loan. See Attachment C, Economic Feasibility-2.

C. Complete Historical Data Charts on the following two pages—Do not modify the Charts provided or submit Chart substitutions!

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

57 HISTORICAL DATA CHART

Supplemental #1

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☐ Total Facility
☐ Project Only

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in (Month). **Response:** Not Applicable.

	Year	Year	Year
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)			
B. Revenue from Services to Patients			
1. Inpatient Services	\$	\$	\$
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) _____			
Gross Operating Revenue	\$	\$	\$
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	\$	\$
2. Provision for Charity Care			
3. Provisions for Bad Debt			
Total Deductions	\$	\$	\$
NET OPERATING REVENUE	\$	\$	\$
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care			
b. Non-Patient Care			
2. Physician's Salaries and Wages			
3. Supplies			
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
6. Other Operating Expenses			
Total Operating Expenses	\$	\$	\$
E. Earnings Before Interest, Taxes and Depreciation	\$	\$	\$
F. Non-Operating Expenses			
1. Taxes	\$	\$	\$
2. Depreciation			
3. Interest			
4. Other Non-Operating Expenses			
Total Non-Operating Expenses	\$	\$	\$
NET INCOME (LOSS)	\$	\$	\$

Chart Continues Onto Next Page

NET INCOME (LOSS)

G. Other Deductions

1. Annual Principal Debt Repayment

2. Annual Capital Expenditure

Total Other Deductions

NET BALANCE

DEPRECIATION

FREE CASH FLOW (Net Balance + Depreciation)

\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$

☐ Total Facility☐ Project Only**HISTORICAL DATA CHART-OTHER EXPENSES**OTHER EXPENSES CATEGORIES

1.

2.

3.

4.

5.

6.

8.

Total Other Expenses

Year	Year	Year
\$	\$	\$
\$	\$	\$

- D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	1,659	3,223
B. Revenue from Services to Patients		
1. Inpatient Services	\$	\$
2. Outpatient Services	\$4,148,881	\$8,262,202
3. Emergency Services		
4. Other Operating Revenue (Specify)		
Gross Operating Revenue	\$4,148,881	\$8,262,202
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$539,354	\$1,074,086
2. Provision for Charity Care		
3. Provisions for Bad Debt	\$108,286	\$215,643
Total Deductions	\$647,640	\$1,299,729
NET OPERATING REVENUE	\$3,501,242	\$6,972,473
D. Operating Expenses		
1. Salaries and Wages	\$1,009,344	\$1,386,166
a. Direct Patient Care		
b. Non-Patient Care		
2. Physician's Salaries and Wages		
3. Supplies	\$788,550	\$1,578,001
4. Rent		
a. Paid to Affiliates	\$214,500	\$222,600
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates	\$175,062	\$348,624
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$893,226	\$866,704
Total Operating Expenses	\$3,080,682	\$4,402,094
E. Earnings Before Interest, Taxes and Depreciation	\$ 420,560	\$ 2,570,379
F. Non-Operating Expenses		
1. Taxes	\$169,090	\$169,090
2. Depreciation	\$855,444	\$865,444
3. Interest	\$261,896	\$220,309
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	\$ 1,286,430	\$ 1,254,843
NET INCOME (LOSS)	(\$865,870)	\$1,315,536

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>(\$865,871)</u>	<u>\$1,315,535</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	<u>\$ 737,260</u>	<u>\$ 778,847</u>
2. Annual Capital Expenditure		<u>\$100,000</u>
Total Other Deductions	<u>\$ 737,260</u>	<u>\$ 878,847</u>
NET BALANCE	<u>(\$ 1,603,131)</u>	<u>\$ 436,688</u>
DEPRECIATION	<u>\$ 855,444</u>	<u>\$ 865,444</u>
FREE CASH FLOW (Net Balance + Depreciation)	<u>(\$ 747,687)</u>	<u>\$ 1,302,132</u>

X ☐ Total Facility
☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year 2019	Year 2020
1. Repairs and Maintenance	<u>\$166,000</u>	<u>\$174,500</u>
2. Purchased Equipment	<u>\$200,000</u>	<u>\$200,000</u>
3. Minor Equipment	<u>\$24,000</u>	<u>\$24,600</u>
4. Utilities	<u>\$135,000</u>	<u>\$138,375</u>
5. Non-Medical Supplies and Expenses	<u>\$300,000</u>	<u>\$230,625</u>
6. Professional Fees	<u>\$25,000</u>	<u>\$25,625</u>
7. Sales Exp.	<u>\$20,000</u>	<u>\$20,500</u>
8. Insurance	<u>\$23,226</u>	<u>\$46,479</u>
Total Other Expenses	<u>\$893,226</u>	<u>\$860,704</u>

June 28, 2018

- E. 1) Please identify the project's average gross charge, ~~3:22 PM~~ deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	N/A	N/A	\$2,500.83	\$2,563.51	3%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	N/A	N/A	\$ 390.38	\$ 400.16	.5%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	N/A	N/A	\$2,110.45	\$2,163.35	3%

Response: The applicant projects that the average gross charge for the first year of operation is \$2,500.83, and \$2,563.51 for the second year of operation.

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response: Since this project is for the relocation of an approved, but unimplemented CON, there are no current charges and therefore no adjustment to current charges as a result of the implementation of the project.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: USPI, or a related entity, has an ownership interest in 22 ASTCs in Tennessee and these charges are consistent with the charges at those facilities.

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. **NOTE: Publicly held entities only need to reference their SEC filings.**

Response: The applicant expects to begin to have positive cash flow in Year 2, based on its projected utilization rate. The latest 10-Q for Tenet can be found at <http://secfilings.nasdaq.com/filingFrameset.asp?FilingID=12715031&RcvdDate=4/30/2018&CoName=TENET%20HEALTHCARE%20CORP&FormType=10-Q&View=html>.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	.12	.37

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

Response:

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Response:

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	497,866	12.0
TennCare/Medicaid	53,935	1.3
Commercial/Other Managed Care	3,551,442	85.6
Self-Pay	0	0
Charity Care	0	0
Other (Specify): Bad Debt	45,638	1.1
Total	4,148,881	100.00

June 28, 2018

- H. Provide the projected staffing for the project in Year 1 and compare the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Response: Please see projected staffing and wages below.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions	Not applicable			
<i>Position 1: RN</i>		8.5	\$30.00/hr	\$27.02/hr
<i>Position 2 Techs</i>		3.5	\$25.00/hr	\$22.58/hr
<i>Position 3 MaterialsMgr</i>		1.0	\$22.00/hr	\$21.45/hr
Total Direct Patient Care Positions		13.0		

B. Non-Patient Care Positions	Not Applicable			
<i>Position 1: Adm</i>		1.0	\$100,000/yr	\$87,960/yr
<i>Position 2: Bus Office Mgr.</i>		1.0	\$50,000/yr	\$50,600/yr
<i>Position "etc.": Clerical</i>		3.0	\$13-20.00/hr	\$14.56/hr
Total Non-Patient Care Positions		5.0		
Total Employees (A+B)		18.0		
C. Contractual Staff		0.0		
Total Staff(A+B+C)		18.0		

- I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

Response: This project does not involve new construction. There are no viable alternatives to the provision of these necessary health care services other than the proposed facility. All of the existing multi-specialty ASTCs in Shelby County are either affiliated with and limited to a particular physician practice, or part of another hospital system. There are no existing ASTCs in Bartlett. The only ASTC in the service area is North Surgery Center, which is located on the campus of Methodist North. Bartlett is the 12th largest city in the State of Tennessee and the 2nd largest city in Shelby County. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Based on U.S. Census data, Bartlett's population grew by 8.2% between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

between 2010 and 2017, whereas Shelby County as a whole grew by only 1.0% during the same period.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

Response: This project does not involve new construction because the ASTC will be on the 3rd floor of an existing building.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Response: The surgery center expects to contract with all predominate managed care insurers in the market including Blue Cross of Tennessee, United Healthcare, Cigna, and AETNA. The center will participate in the Medicare program and contract with Medicare Advantage Plans. The center will participate in the TennCare program and expects to contract with the West Tennessee TennCare Managed Care Organizations: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select. The applicant anticipates having transfer agreements with both Saint Francis Hospital and SFH-Bartlett.

- B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

1) Positive Effects

Response: There are only positive effects as a result of this proposal. The shift of outpatient procedures to a more convenient location will help alleviate the crowding at The Surgery Center of Saint Francis. The facilities whose utilization rates are expected to decrease are all Tenet facilities, so it is simply a shift of utilization between entities with a common owner at the top of the ownership chain. In addition, a shift of procedures to an ASTC will allow service area residents to receive services in a more efficient and cost effective location. There is no duplication of services because there is currently no ASTC in Bartlett.

2) Negative Effects

Response: The only possible negative effects would be to The Surgery Center of Saint Francis, Saint Francis Hospital and SFH-Bartlett. As stated above, the positive effects to the service area residents outweigh any negative effects to these existing providers.

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

Response: Candidates are readily available from within the existing healthcare industry and the Tenet facilities in Shelby County. The ASTC will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and engaging recruiting firms. The Tenet facilities in Shelby County have a history of attracting qualified professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

Response: The applicant is familiar with all licensing and/or certification requirements as required by the State of Tennessee as well as the requirements for the Joint Commission.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The applicant does not plan to participate in the training of students; ASTCs do not generally participate in such training.

- D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Response: The applicant will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities. The applicant has reviewed and understands the relevant requirements.

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

Response: The applicant will be Medicare certified. The applicant has reviewed and understands the relevant requirements.

Accreditation (i.e., Joint Commission, CARF, etc.):

Response: The applicant plans to seek accreditation from The Joint Commission. The applicant has reviewed and understands the relevant requirements.

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

Response: Not applicable.

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response: Not applicable.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

Response: Not applicable.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Response: Not applicable.

- E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- 1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

Response: No.

- b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

- c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

Response: No.

- 2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;

Response: No.

- b) Criminal fines in cases involving a Federal or State health care offense;

Response: No.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

Response: No.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

Response: No.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

Response: No.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

Response: No.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

Response: No.

- h) Is presently subject to a corporate integrity agreement.

Response: No.

F. Outstanding Projects:

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

Outstanding Projects					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	
CN1605-020A	Bartlett ASC, LLC	10/26/16	12/1/2017	2/1/18	12/1/2019

*Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

Response: Please see chart above. The current approved project will expire on December 1, 2019. The applicant will turn in that CON upon the approval of this project.

- 2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response: The applicant does not anticipate implementing CN1605-020A, but will turn the certificate in upon the final approval of this project.

- G. Equipment Registry-For the applicant and all entities in common ownership with the applicant.

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? _____

Response: This question is not applicable to the applicant, but St. Francis and St. Francis Hospital Bartlett (under common ownership with the applicant) do own, lease, operate, and/or contract for Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)

- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

Response: Yes, the registration for St. Francis was submitted on March 1, 2018, and the registration for St. Francis Bartlett was submitted on March 16, 2017.

- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

Response: Yes, the utilization for St. Francis was submitted on March 1, 2018, and the utilization for St. Francis Bartlett was submitted on March 8, 2017.

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

Response: The applicant will report annually on measures and forms as prescribed by the Agency, pertaining to this CON if approved.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better

- A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

Response: The addition of an ASTC in one of the fastest growing areas of the state, when that is currently not an option for this area, will allow residents to receive necessary health care services in the least restrictive setting, making it easier and more convenient for residents which promotes the health of those Tennesseans and may improve their health outcomes over time.

USPI participates in a full compliance and quality program. They measure hundreds of metrics for each patient because they feel it is important to know that they are organized to provide the highest quality; their patients received care that restored or maintained their health; and they provided care in the most efficient manner so that patients returned to home, school or work as quickly as possible. When breakdowns occur, USPI has the information and infrastructure to improve.

Some of the metrics that USPI uses to evaluate quality include the following:

- % of cases, Surgical Safety Checklist Used
- % of Patients with a Perforation
- % of Patients that Received Antibiotics within One Hour
- % of Patients with Appropriate Hair Removal
- % Patients with VTE Risk Assessment
- % of Patients with VTE Prophylaxis
- Average Start Time - All
- Central Line Infection Numerator
- Death Within the Facility
- Falls
- Medication Variance
- Risk - Total Burns with Harm
- Surgical Site Infection
- Total Returns to Surgery for Removal of Foreign Body
- Wrong Site Incidents
- Non-Emergent Transfer before Treatment
- Non-Emergent Transfer after Treatment
- Emergent Transfer Prior to Treatment
- Emergent Transfer After Treatment
- All Transfers - ASC

- B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

Response: Allowing citizens the option of an ASTC will improve access to outpatient surgical services. In addition, this proposed ASTC plans to contract with all payers, including private, TennCare and Medicare.

The entry into the market of a high quality, lower cost environment for outpatient surgical services will enable the referring physicians and the patients to have an additional alternative for outpatient surgical services.

The physicians carefully screen prospective patients to ensure that they are appropriate candidates for outpatient surgery at an ASTC. Prior to surgery, patients receive a pre-op phone call from the ASTC. After the patients have surgery, they are provided with discharge instructions. There is also a follow-up call post-op to ensure that the patient's surgical recovery is going well. The pre-op and post-op calls are made by a nurse of the ASTC and patients have the opportunity to ask questions and receive answers. USPI tracks these calls at other centers and has an 80-90% contact rate for these calls. At a minimum, every patient is left a message and asked to call the nurse back.

- C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

Response: The costs for outpatient surgical procedures in an ASTC are lower than those in a hospital. Currently many residents in the Bartlett area drive to the Surgery Center at Saint Francis, an ASTC alternative, that is not as convenient as the facility proposed, or receive surgery at Saint Francis Hospital or SFH-Bartlett, which are inpatient hospitals.

Because the cost of outpatient surgeries performed in an ASTC are less than the those performed in a hospital, economic efficiencies will be achieved for those patients who make the decision to have surgery in the proposed facility.

Physician offices are generally in charge of scheduling the outpatient surgical services for their patients. They generally provide information to the patients as to their options for a facility to provide services. The approval of this ASTC will provide another option for patients and referring physicians.

- D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Response: Some of the quality measures identified above, can be used to assist health care providers in providing services in accordance with the highest professional standards. Because the applicant measures and keeps track of the quality of care provided at the ASTC as identified above, improvement in the quality of care provided by the health care workforce will be achieved.

- E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

Response: The addition of an ASTC in this area of Shelby County, where none currently exists, will provide opportunities for employment for health care workers, including RNs, surgical technologists, and office staff.

Candidates are readily available from within the existing healthcare industry and the applicant's affiliated facilities. The center will utilize a number of channels to secure needed staff, including posting in on-line recruiting platforms and engaging recruiting firms. The applicant's related facilities in Memphis have a history of successfully recruiting

professional and administrative staff because they provide competitive compensation and benefits and are committed to the retention of existing personnel.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

Response: Please see attached proof of publication which occurred in The Commercial Appeal on Sunday, June 10, 2018.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		August 2018
2. Architectural and engineering contract signed		November 2018
3. Construction documents approved by the Tennessee Department of Health	180	May 2019
4. Construction contract signed	30	June 2019
5. Building permit secured	30	July 2019
6. Site preparation completed	0	N/A
7. Building construction commenced	0	July 2019
8. Construction 40% complete	60	August 2019
9. Construction 80% complete	120	October 2019
10. Construction 100% complete (approved for occupancy)	150	November 2019
11. *Issuance of License		
12. *Issuance of Service		
13. Final Architectural Certification of Payment		December 2019
14. Final Project Report Form submitted (Form HR0055)		

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

Attachment A, Executive Summary -2

Attachment A-4

USPI ASTC's in Tennessee

USPI Surgery Centers

Baptist Ambulatory Surgery Center
 312 21st Avenue North
 Suite 200, Creekside Crossing 111
 Nashville, TN 37236-0000
 Phone: (615) 321-7330
 Fax: (615) 320-5319

Baptist Plaza Surgicare
 2011 Church Street, Plaza I, Lower Level
 Lower Level Dock E, 21st Avenue
 Nashville, TN 37236
 Phone: (615) 515-4000
 Fax: (615) 515-4053

Chattanooga Pain Center
 1016 Executive Drive
 Hixson, TN 37343
 Phone: (423) 648-4525
 Fax: (423) 648-4626

Clarksville Surgery Center
 793 Weatherly Drive
 Clarksville, TN 37043
 Phone: (931) 542-2915
 Fax: (931) 648-1816

Eye Surgery Center of Nashville
 310 25th Avenue N. Suite 105
 Nashville, TN 37203
 Phone: (615) 329-9023
 Fax: (615) 329-1665

Franklin Endoscopy Center
 740 Cool Springs Blvd
 Ste. 210B
 Franklin, TN 37067-6450
 Phone: (615) 550-6066
 Fax: (615) 550-6069

Lebanon Endoscopy Center
 100 Physicians Way, Suite 340
 Lebanon, TN 37090
 Phone: (615) 466-9532
 Fax: (615) 466-9536

Middle Tennessee Ambulatory Surgery Center
 1800 Medical Center Parkway
 Suite 120
 Murfreesboro, TN 37129
 Phone: (615) 849-7500
 Fax: (615) 907-4020

Mid-State Endoscopy Center
 1115 Dow Street, Suite A
 Murfreesboro, TN 37130-2443
 Phone: (615) 848-9234
 Fax: (615) 893-3188

Mountain Empire Surgery Center
 601 Med Tech Parkway
 Suite 270
 Johnson City, TN 37604
 Phone: (423) 610-1020
 Fax: (423) 610-1021

Nashville EndoSurgery Center
 300 20th Avenue North
 Nashville, TN 37203
 Phone: (615) 284-1335
 Fax: (615) 284-1316

Northridge Surgery Center
 647 Myatt Drive
 Madison, TN 37115
 Phone: (615) 868-8942
 Fax: (615) 860-3820

Parkwest Surgery Center
 9430 Parkwest Boulevard
 Suite 210
 Knoxville, TN 37923
 Phone: (865) 531-0494
 Fax: (865) 531-0554

Patient Partners Surgery Center
 890 North Blue Jay Way
 Gallatin, TN 37066
 Phone: (615) 575-9000
 Fax: (615) 575-9007

Physicians Pavilion Surgery Center
 545 Stonecrest Parkway
 Smyrna, TN 37167
 Phone: (615) 220-3720
 Fax: (615) 459-9483

Physician's Surgery Center of Chattanooga
 924 Spring Creek Road
 Chattanooga, TN 37412
 Phone: (423) 899-1600
 Fax: (423) 899-2171

Physician's Surgery Center of Knoxville
 1819 Clinch Avenue
 Suite 206
 Knoxville, TN 37916-2435
 Phone: (865) 522-2949
 Fax: (865) 637-3259

Providence Surgery Center
 5002 Crossing Circle, Suite 110
 Mt. Juliet, TN 37122
 Phone: (615) 553-9100
 Fax: (615) 553-9109

Saint Francis Surgery Center
 5999 Park Avenue
 Memphis, TN 38119

Saint Thomas Surgicare
 4230 Harding Pike Road
 Medical Plaza East
 Suite 300
 Nashville, TN 37205
 Phone: (615) 783-1260
 Fax: (615) 783-1261

The Hospital for Spinal Surgery
 2011 Murphy Ave
 Suite 200, Creekside Crossing 111
 Nashville, TN 37203
 Phone: (615) 341-7500
 Fax: (615) 341-7513

Tullahoma Surgery Center
 725 Kings Lane
 Tullahoma, TN 37388
 Phone: (931) 455-1976
 Fax: (931) 455-7122

Upper Cumberland Physician Surgery Center
 467 North Whitney Avenue
 Cookeville, TN 38501
 Phone: (931) 528-5007
 Fax: (931) 528-5030

Attachment A-4

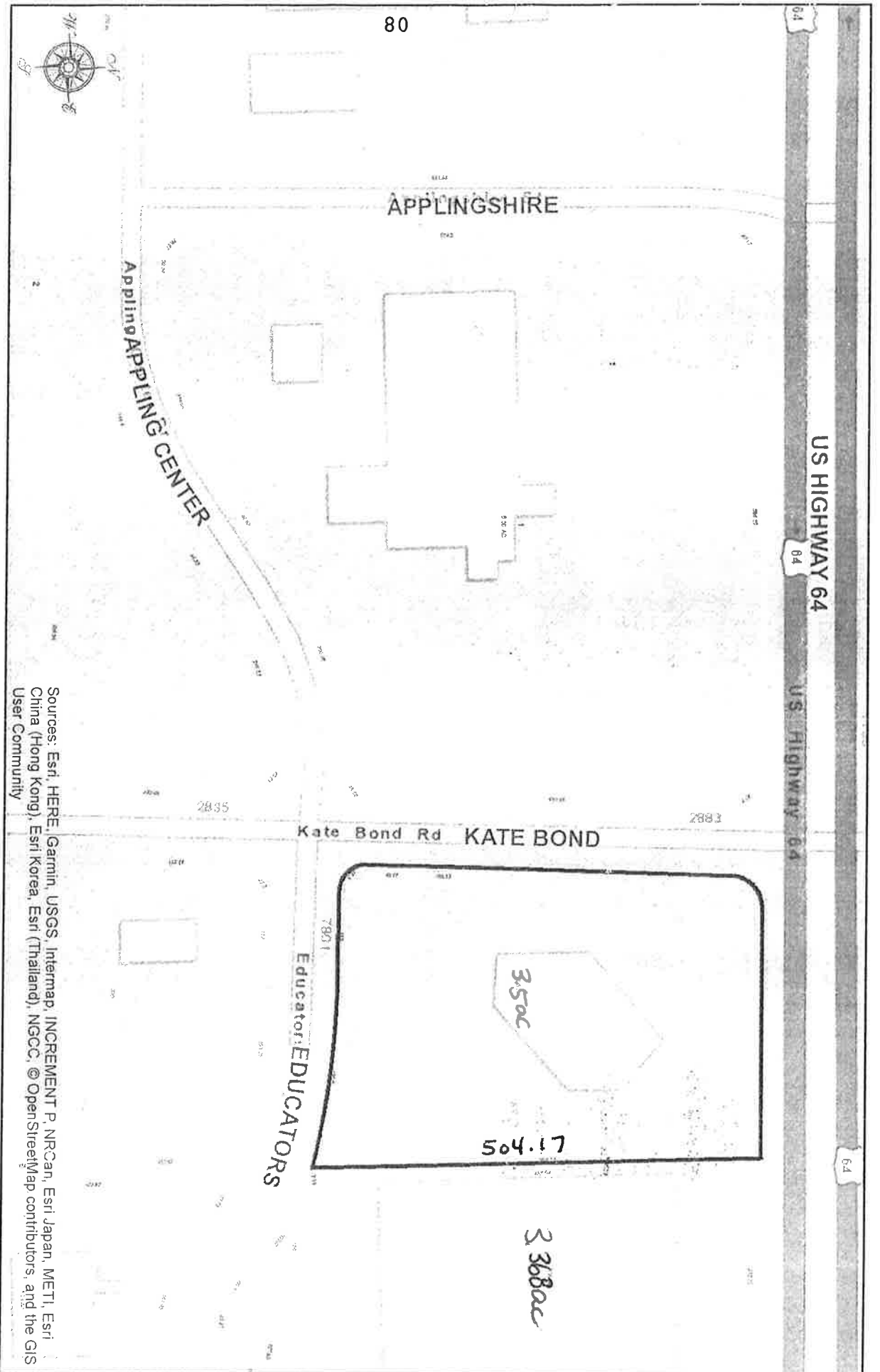
Organizational Documents

Organizational Chart

Attachment 6-B-1

Plot Plan

7845 Highway 64

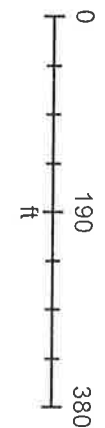


Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, © OpenStreetMap contributors, and the GIS User Community

CHEYENNE JOHNSON, ASSESSOR
SHELBY COUNTY, TENNESSEE

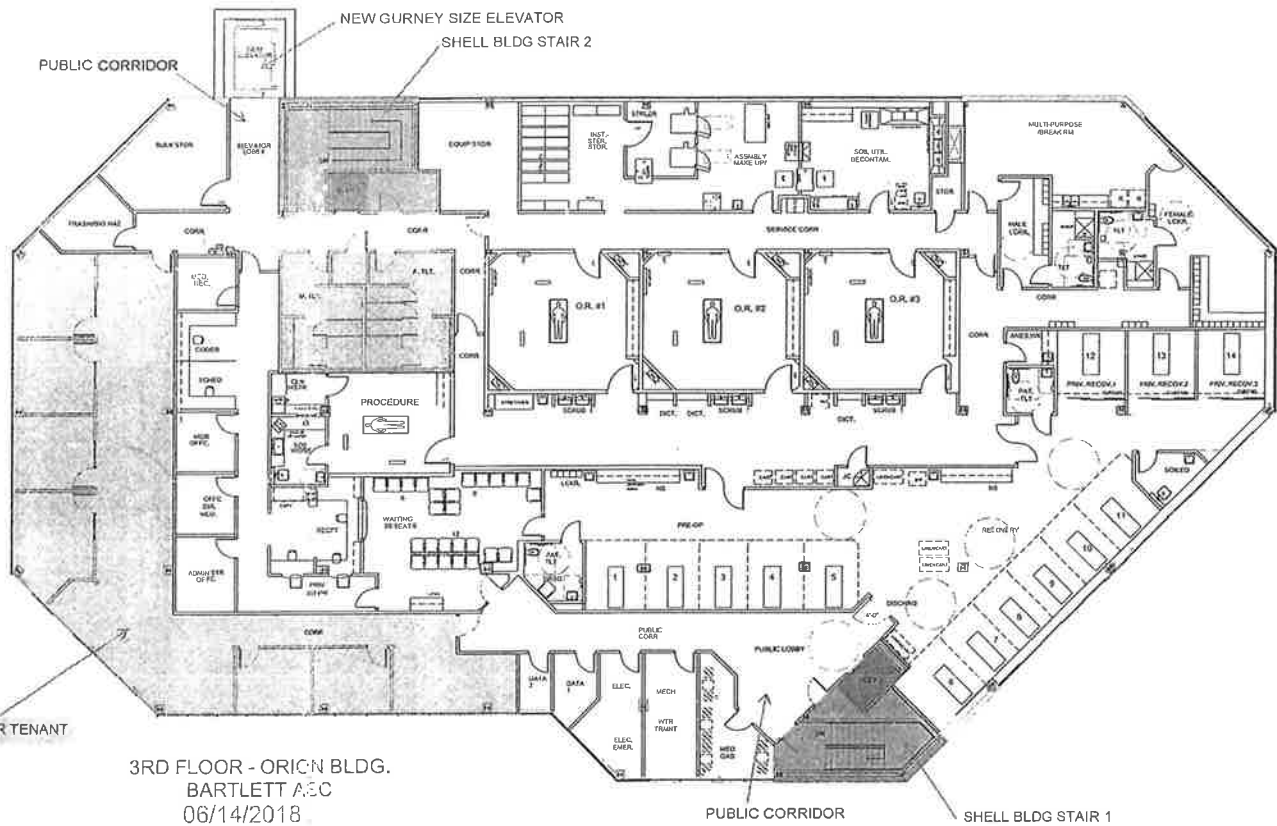
DISCLAIMER: THIS MAP IS FOR PROPERTY ASSESSMENT PURPOSES ONLY. IT IS NOT CONCLUSIVE AS TO LOCATION OF PROPERTY OR LEGAL OWNERSHIP AND THEREFORE, SHOULD NOT BE RELIED UPON AS A REPRESENTATION OF ANY PROPERTY FOR ANY PURPOSE.

MAP DATE: June 14, 2018



Attachment 6-B-2

Floor Plan



CASSETTY

Nashville Office Telephone: 615.822.5711
Email: cassetty@cassettytn.com
CASSETTY Architecture, PC

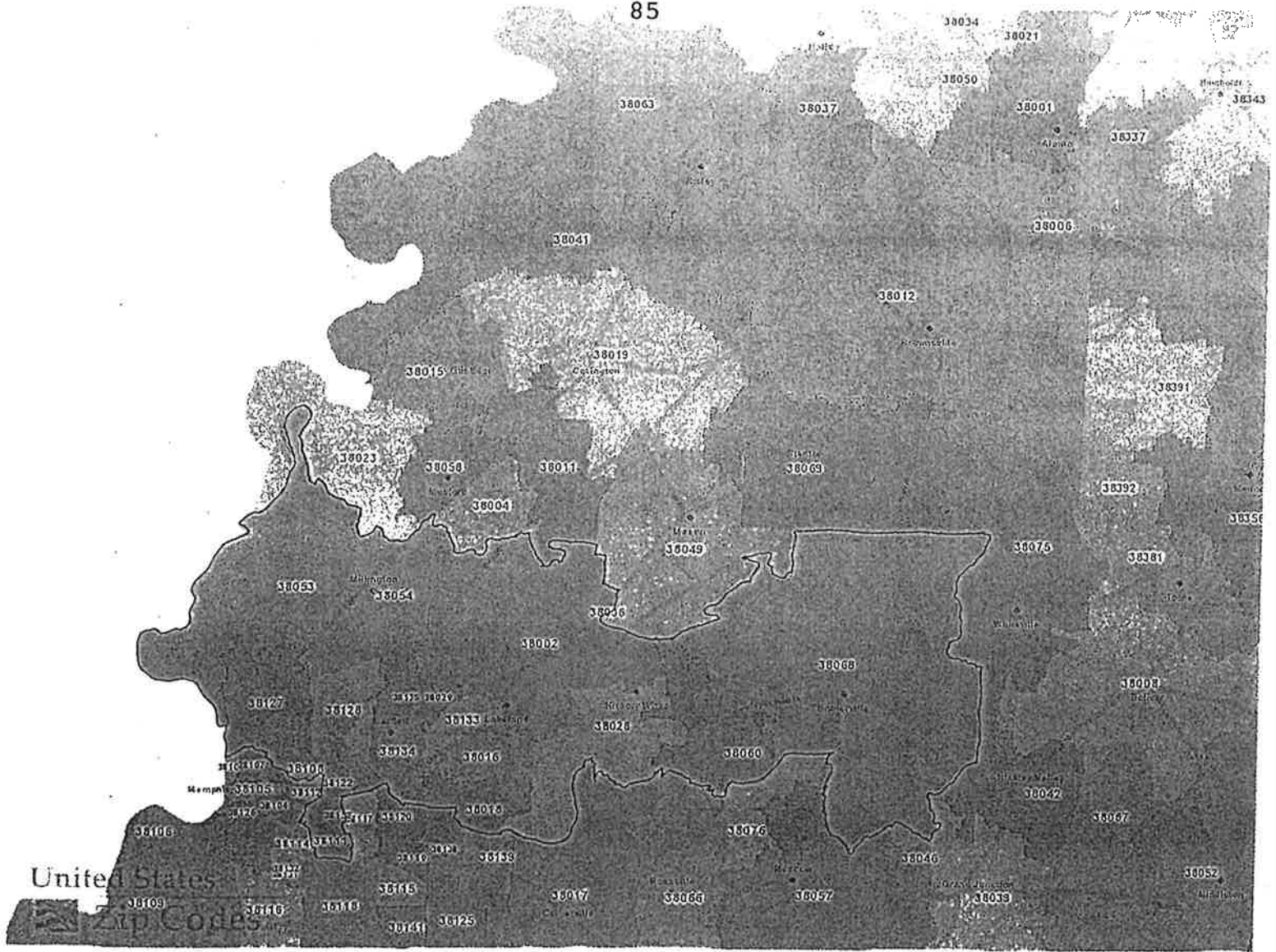
1 THIRD FLOOR PLAN



Attachment B, Need 3-3

Map of Service Area by County

Map of Service Area by Zip Code



Attachment B, Economic Feasibility - 2
Funding Documentation



United Surgical Partners
I N T E R N A T I O N A L

June 14, 2018

Ms. Melanie Hill
Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, TN 37219

Re: Certificate of Need Application CN1605-020, Bartlett ASC, LLC

Dear Mr. Earhart:

United Surgical Partners International, Inc. intends to fund its estimated \$1,732,000 contribution to the Bartlett ASC, LLC project in Bartlett, Tennessee from cash on hand. USPI's financial information is reported as the Ambulatory Care segment included in the financial statements and information filed with the US Securities and Exchange Commission (the "SEC") by USPI's majority owner, Tenet Healthcare Corporation (NYSE:THC). Copies of those filings are available on the SEC's website at <https://www.sec.gov/edgar/searchedgar/companysearch.html>.

If you have any questions, please do not hesitate to contact our outside counsel on the matter, Kim H. Looney, of Waller Lansden Dortch & Davis, LLP.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Cagle', is written over the name 'Jason Cagle'.

Jason Cagle
Chief Financial Officer

June 14, 2018

VIA EMAIL

Erik Kraemer
Vice President, Development
United Surgical Partners International, Inc.
20 Burton Hills Blvd, Ste. 210
Nashville, Tennessee 37215
erkraemer@uspi.com

Re: Preliminary indication of interest in providing financing to an ambulatory surgery center project in Bartlett, Tennessee

Dear Mr. Kraemer,

I am writing to confirm Frost Bank's favorable conversations with United Surgical Partners International, Inc. regarding the development of an ambulatory surgery center with physician ownership in Bartlett, Tennessee (the "Project") and to express Frost Bank's initial interest in providing financing for the Project. As discussed, we currently anticipate that we would offer financing in an approximate aggregate principal amount of \$5.1 million to the Project (the "Loan"). The anticipated terms of the Loan are currently expected to include a 90 month term and a fixed rate of interest of approximately 5.5%. The anticipated terms of the Loan are preliminary and subject to change, and do not reflect all of the material terms of the Loan which may be required as part of Frost Bank's underwriting requirements, which terms may include, without limitation, the grant of a security interest in some or all of the assets of the Project, certain affirmative and negative covenants, and other standard terms and conditions. Frost Bank's willingness to extend the Loan is further subject in its entirety to normal underwriting review and all necessary approvals.

Sincerely,

A handwritten signature in black ink, appearing to read "Clint Cockerell", written over a horizontal line.

Clint Cockerell

Senior Vice President, Frost Bank

**Attachment C, Contribution to the Orderly Development
Of Health Care**

Proof of Publication

**The Commercial Appeal
Affidavit of Publication**

**STATE OF TENNESSEE
COUNTY OF SHELBY**

Personally appeared before me, Glenn W. Edwards, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached advertisement was published in the following editions of The Commercial Appeal, to-wit:

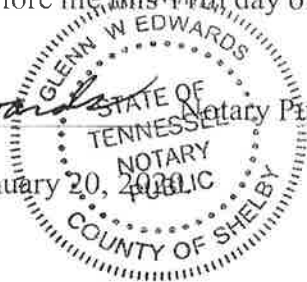
June 10, 2018

Helen Curl

Subscribed and sworn to before me this 11th day of June, 2018.

Glenn W. Edwards
Notary Public

My commission expires January 20, 2020.



Interviews must be scheduled by calling 901-325-4003 and asking for the DON or ADON.

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Legal Notices

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Bartlett ASC, LLC, an ambulatory surgical treatment center owned by Bartlett ASC, LLC with an ownership type of limited liability company, and to be managed by USP Tennessee, Inc. intends to file an application for a Certificate of Need for the relocation of an unimplemented ambulatory surgical treatment center (CN1605-020A) to provide outpatient surgery services from 0 Kate Bond Boulevard, Bartlett, Shelby County, Tennessee 38133 (address to be assigned) to 7845 US Hwy 64. No licensed beds will be affected, and no major medical equipment will be purchased as a result of this project. The cost of this project is expected not to exceed \$9,800,000. The anticipated date of filing the application is on or before June 15, 2018. The contact person for this project is Kim Harvey Looney, Esq., Attorney, who may be reached at Waller Lansden Dortch & Davis LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37219, (615) 850-8722.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Legal Notices

here!



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AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Kim H. Looney, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Kim H. Looney
SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of June, 2018, a Notary Public in and for the County/State of Tennessee.

Laurie A. Glass
NOTARY PUBLIC

My commission expires, January 8, 2019.



Supplemental #1 (Copy)

Bartlett ASC, LLC

CN1806-026

Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700 615.244.6380 main
P.O. Box 198966 615.244.6804 fax
Nashville, TN 37219-8966 wallerlaw.com

Kim Harvey Looney
615.850.8722 direct
kim.looney@wallerlaw.com

June 28, 2018

VIA HAND DELIVERY

Mark A. Farber
Deputy Director
Health Services and Development Agency
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: Certificate of Need Application CN1806-026
Bartlett ASC, LLC

Dear Mark:

This letter is submitted as the supplemental response to your letter dated June 22, 2018 , wherein additional information or clarification was requested regarding the above-referenced CON application.

1. Section and Item Numbering

It appears that the applicant is not utilizing the Section and Item Numbering for the current application form.

Please submit the original application from the beginning of Section B with correct numbering.

Response: A revised original application with correct section and item numbering is included as Attachment 1 - Section and Item Numbering.

2. Section A, Executive Summary

Please discuss in detail how it was determined that the proposed site is more suitable than the CON approved site.

Response: The applicant had difficulty in agreeing on final terms with the landlord at the previously approved CON site, and as such, was forced to pursue another location, resulting in the filing of the current application. In addition, the new site has an existing building, so it is anticipated that the ASC may be able to begin operation faster than if it were still using the previous approved site.

Does the applicant expect to offer ownership interests in the ASTC? If yes, how much ownership does USPI expect to retain?

Mark Farber
June 28, 2018
Page 2

What is the anticipated square footage of the proposed ASTC? How does that compare to the square footage at the Kate Bond Boulevard site?

Response: The square footage is substantially similar, with the current square footage of approximately 13,000 square feet, and the previous square footage at the Kate Bond Boulevard site approximately 13,500.

3. Section A, Project Details, 6A. (Legal Interest in the Site)

Your response to this item is noted. Please submit a revised fully executed Option to Lease that includes anticipated annual lease payments.

Response: The Option to Lease indicates it will be fair market value with a term of 10 years. The exact rent will not be determined until the buildout is complete, the costs are known, and the space is ready to be occupied. The applicant has estimated a rate of approximately \$20 per square foot in the Project Costs Chart, which it believes to be fair market value and on the conservative side.

Is the Deed to the property submitted the deed to the Kate Bond Boulevard location rather than the 7845 US Highway 64 location?

Response: No, the deed submitted is for the property at 7845 Hwy 64, as reflected on the last page of the deed included with the application. The property is located at the corner of Hwy 64 and Kate Bond Road, which could account for any confusion.

4. Section B, Need Item A

Please respond to the following criteria:

Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Agency may consider the following factors:

- (a) *Need.* The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

Response: The proposed new site is located less than one half mile from the previously approved site, and only a little over 1,000 feet from the hospital, so the health care needs should be served as well as at the original site. As previously stated, there is a practical need to change the site because the applicant no longer has an option on the previously approved site.

- (b) *Economic factors.* The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

Mark Farber
June 28, 2018
Page 3

Response: The applicant estimates the project costs to be slightly less than those of the original site, so it is anticipated that the proposed new site will be at least as economically beneficial to the population to be served as the original site.

- (c) *Contribution to the orderly development of health care facilities, and/or services.* The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

Response: The applicant anticipates no delays; the project may be completed slightly faster since the proposed site is an existing building.

5. Section B, Need Item D.1)

What is the source for the population data being used? The data is different than what is found on the Department of Health website.

Response: The data was taken from the Department of Health website, populations projections 2016-2030, located at <https://www.tn.gov/health/health-program-areas/statistics/health-data/population.html>. The data represents population projections for the current year, 2018, and the projected year, 2020. Please also note that the links for Department of Health data and TennCare enrollment data included in the current application form are dead and need to be updated.

Is the reason that NA has been placed in the Target Population section because the total population is the target population?

Please explain.

Response: Yes, the target population and the total population are the same.

6. Section B, Need Item F.

Your response to this item is noted.

Please complete the following tables:

Bartlett ASC Projected Utilization

Specialty	# of Surgeons	Year 1 OR Cases	Year 2 OR Cases	Year 1 PR Cases	Year 2 PR Cases
General Surgery	4	158	306	0	0
Orthopedics	4	346	673	0	0
Neurosurgery/Spine	1	105	204	0	0
Gastroenterology	2	0	0	945	1,836
Pain Management*	1	0	0	105	204
Total	11*	609	1,183	1,050	2,040

*Same physician performing neurosurgery/spine/pain cases.

Mark Farber
 June 28, 2018
 Page 4

Facility	2017 OR Cases	2017 PR Cases	Year 1 OR Cases	Year 1 PR Cases	Year 2 OR Cases	Year 2 PR Cases
St. Francis Hospital (SFH)	4,769	4,087	4,743	4,498	4,886	5,118
SFH- Bartlett	2,308	966	2,261	1,102	2,329	1,379
Surgery Center at SF	4,371	3,293	4,091	2,793	4,121	2,833
TOTAL	11,448	8,346	11,095	8,393	11,336	9,330

Please provide the Shelby County hospital outpatient surgical utilization from the latest three year period in the following table:

Hospital	2014 Cases	2015 Cases	2016 Cases	% Change 2014-2016
Baptist Memorial Hospital-Shelby	3,787	3,846	3,771	-0.42%
Baptist Memorial Hospital-Collierville	1,657	1,689	1,723	3.98%
Baptist Memorial Hospital-Women	1,827	2,043	2,236	22.39%
Delta Medical Center	1,924	2,120	264	-86.28%
LeBonheur Children's Medical Center	7,581	8,646	9,848	29.90%
Methodist Healthcare-Germantown	6,061	5,768	6,518	7.54%
Methodist Healthcare-Memphis	4,541	4,750	4,321	-4.84%
Methodist Healthcare-North	928	1,033	981	5.71%
Methodist Healthcare-South	1,000	997	319	-68.1%
Regional One Health	4,221	3,690	3,021	-28.43%
Saint Francis Hospital	5,517	5,658	5,531	0.25%
Saint Francis Hospital-Bartlett	2,745	5,996	2,803	2.11%
Total	41,789	46,236	41,336	-1.08%

7. Section B, Economic Feasibility, Item A. Project Costs Chart,

There appears to be a slight calculation error in the Project Cost Chart.

In determining the correct lease amount, please see the following from Agency Rules:

0720-09-.01 DEFINITIONS. *The following terms shall have the following meanings.*

Lease, loan, or gift. In calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the cost is the fair market value of the lease or the total amount of the lease payment, whichever is greater.

Please review, make any necessary changes, and submit a revised Project Costs Chart.

Response: The calculation error has been corrected. A revised Project Costs Chart is included as Attachment Section B, Economic Feasibility, Item A, replacement Page 37. In this situation, the lease is the net present value of the total amount of the lease payment, which is at fair market value.

Mark Farber
June 28, 2018
Page 5

8. Section B, Economic Feasibility, Item B. Funding

Based on the letters provided by the CFO of USPI and Frost Bank, the applicant has accounted for \$6,832,000 of estimated project cost. The total project cost is \$9,638,817.34, which results in \$2,806,817.34 of project cost that is not covered.

Please explain how these costs will be paid.

Response: The \$1,945,418 in Facility Costs equals to the net present value of the lease payments, which will be paid out of current operating revenue on a monthly basis. The applicant anticipates that the remaining difference between the project costs and the amount that is being funded by the applicant will be covered through physician investment in the ASC, when the project is syndicated.

9. Section B. Economic Feasibility Item D (Projected Data Chart)

Please submit a revised Projected Data Chart that include entries for NET BALANCE and FREE CASH FLOW.

Response: A revised Projected Data Chart is included as Attachment Section B, Economic Feasibility, Item D, replacement Pages 42-43.

There appears to be a calculation error in Year 2020 of the Other Expense Chart on page 43 of the application.

Response: A revised Projected Data Chart is included as Attachment Section B, Economic Feasibility, Item D, replacement Pages 42-43.

The Projected Data Chart shows no Provision for Charity Care. Please explain.

Response: Charity Care is currently included in the Projected Data Chart as a line item under "Bad Debt."

The draft management agreement indicates that the management fee will be 7% of net revenue. The management fee provided on the Projected Data Chart is not 7% of net revenue. Please explain.

Response: The management fee in the draft management agreement is a placeholder number that will be altered to reflect the actual management fee when the agreement is entered, which is currently anticipated to be 5% X (revenue less bad debt).

10. Section B. Economic Feasibility Item E. 1)

There appears to be a typo in the narrative response.

Mark Farber
June 28, 2018
Page 6

Response: Please see revised Page 44 correcting typo included as Attachment Section B, Economic Feasibility, Item E.

11. Section B. Economic Feasibility Item E. 3)

There is revenue data in the ASTC JAR where average charge data can be calculated. Using data from the 2017 JAR please provide charge/case data for the multispecialty ASTCs in Shelby County.

Response: See table below, incorporating 2017 Joint Annual Report data.

Facility	2017 Avg. Gross Charge	2017 Avg. Deduction	2017 Avg. Net Charge
Baptist Germantown Surgery Center	\$7,853.06	\$5,907.24	\$1,945.82
Campbell Clinic Surgery Center	\$8,267.38	\$1,757.09	\$1,926.21
Campbell Clinic Surgery Center Midtown	\$10,965.46	\$7,783.18	\$3,182.29
East Memphis Surgery Center	\$6,280.60	\$4,750.53	\$1,530.07
Le Bonheur East Surgery Center II	\$4,315.49	\$1,676.92	\$2,638.57
Memphis Surgery Center	\$8,767.42	\$6,945.19	\$1,822.23
Methodist Surgery Center Germantown	\$6,213.01	\$3,998.49	\$2,214.52
North Surgery Center	\$6,602.60	\$4,612.49	\$1,990.11
Semmes-Murphey Clinic	\$7,889.34	\$4,306.47	\$3,582.87
Surgery Center at Saint Francis	\$9,469.56	\$7,016.57	\$2,452.99

12. Section B. Economic Feasibility Item F. (1)

Please provide the most recent audited Consolidated Balance Sheet and Statements of Operations for Tenet Healthcare.

Response: Tenet does not have audited financials. Tenet Healthcare, Inc., the ultimate owner of St. Francis, St. Francis-Bartlett, USPI, and therefore the applicant, is a publically traded entity. As per the question in Item F.(1), Tenet's latest SEC filing, the 10-Q, can be found at <http://secfilings.nasdaq.com/filingFrameset.asp?FilingID=12715031&RcvdDate=4/30/2018&CoName=TENET%20HEALTHCARE%20CORP&FormType=10-Q&View=html>.

13. Section B. Economic Feasibility Item F. (3)

Please provide the requested Capitalization Ratio for Tenet Healthcare.

Mark Farber
June 28, 2018
Page 7

Response: Tenet Healthcare's Capitalization Ratio for 2017 is 5.39.

14. Section B. Economic Feasibility Item H., Staffing, Page 54

Please explain why there are FTEs listed in the "Existing FTEs" column.

Response: There should be no FTEs in the existing FTEs column. Please see revised page 46 correcting Staff and Wage Chart included as Attachment Section B, Economic Feasibility Item H, Staffing.

15. Section B. Contribution to Orderly Development Item A.

The anticipated emergency transfer agreements with St. Francis and St. Francis Bartlett are noted. What is the distance to St. Francis and St. Francis Bartlett from the proposed site?

Response: St. Francis Bartlett is 0.2 miles away from the proposed site, and St. Francis is about 11 miles away from the proposed site.

Will all the surgeons utilizing the ASTC have admitting privileges at St. Francis and/or St. Francis Bartlett?

Response: Yes

16. Section B, Orderly Development, Item D

Does the applicant plan to be TennCare/Medicaid certified?

Response: Yes

17. Section B, Orderly Development, Item E.

Please explain why the applicant noted "Not Applicable" to this item.

Response: This item is applicable, the application responses should have been "No." Please see revised pages 49-50 included as Attachment Section B, Orderly Development, Item E.

18. Section B, Orderly Development, Items F and G

Please note that these items are applicable to the applicant and all entities in common ownership with the applicant.

Response: Please see revised pages 50-51 included as Attachment Section B, Orderly Development, Items F and G.

Mark Farber
June 28, 2018
Page 8

19. Section B. Quality Measures

Please verify and acknowledge the applicant will be evaluated annually on whether the proposal will provide health care that meets appropriate quality standards upon the following factors:

- (a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

Response: The applicant commits to maintaining an actual payor mix that is comparable to the projected payor mix in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and care for the medically indigent.

- (b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

Response: The applicant commits to maintaining staffing at comparable levels to the staffing chart presented in its CON application, adjusted for actual patient volume, or as may otherwise be required by state licensure standards.

- (c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

Response: The applicant will obtain and maintain all applicable state licenses in good standing.

- (d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

Response: The applicant will obtain and maintain TennCare and Medicare certification.

- (e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

Response: The applicant has maintained substantial compliance with applicable federal and State regulation for at least the three (3) years prior to the CON application.

- (f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

Response: The applicant has not, nor has it been threatened with, decertification in the prior three (3) years.

- (g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to

Mark Farber
June 28, 2018
Page 9

accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

Response: The applicant, within two (2) years of implementation of the project, will participate in self-assessment and/or external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve. The applicant will seek accreditation from The Joint Commission.

- (h) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

(ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects.

Response: The applicant, within two (2) years of implementation of the project, will participate in self-assessment and/or external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve. The applicant will seek accreditation from The Joint Commission.

For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

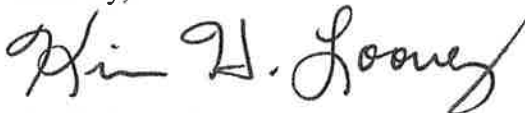
Response: The applicant has estimated the number of physicians by specialty expected to utilize the facility. The applicant plans on initially credentialing four (4) orthopedic surgeons, four (4) general surgeons, two (2) gastroenterologists, and one (1) neurosurgeon/spine/pain management specialist. The applicant has developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, either on- or off-site.

June 28, 2018**3:29 P.M.**

Mark Farber
June 28, 2018
Page 10

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

A handwritten signature in black ink that reads "Kim H. Looney". The signature is written in a cursive, flowing style.

Kim H. Looney

/Enc.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: BARTLETT ASC, LLC

I, KIM H. LOONEY, ESQ., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Kim H. Looney

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28TH day of June, 2017, witness my hand at office in the County of Davidson, State of Tennessee.

Laurie A. Glass

NOTARY PUBLIC

My commission expires : January 8, 2019

HF-0043

Revised 7/02

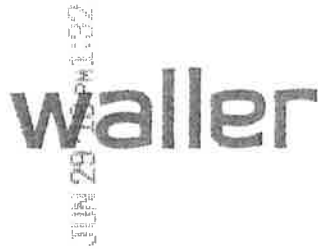


**MY COMMISSION EXPIRES:
JANUARY 8, 2019**

Supplemental #2 (Copy)

Bartlett ASC, LLC

CN1806-026



106

Waller Lansden Dortch & Davis LLP
511 Union Street, Suite 2700
P.O. Box 198966
Nashville, TN 37219-8966

Supplemental #2

June 29, 2018

1:31 PM
wallerlaw.com

main
fax

Kim Harvey Looney
615.850.8722 direct
kim.looney@wallerlaw.com

June 29, 2018

VIA HAND DELIVERY

Mark A. Farber
Deputy Director
Health Services and Development Agency
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: Certificate of Need Application: CN1806-026 Bartlett ASC, LLC
Additional Response and Clarification

Dear Mark:

This letter is submitted as additional information or clarification to our responses dated June 28, 2018, regarding the above-referenced CON application.

3. Section A, Project Details, 6A. (Legal Interest in the Site)

Your response to this item is noted. Please submit a revised fully executed Option to Lease that includes anticipated annual lease payments.

Response: Response: The Option to Lease indicates it will be fair market value with a term of 10 years. The exact rent will not be determined until the buildout is complete, the costs are known, and the space is ready to be occupied. The total lease costs will be \$2,340,000. This increases the CON filing fee by an additional \$2,268.85. We are including a check for this amount. Please see a revised Option to Lease included as Attachment Section A, Project Details, 6A.

13. Section B. Economic Feasibility Item F. (3)

Please provide the requested Capitalization Ratio for Tenet Healthcare.

Response: Tenet Healthcare's Capitalization Ratio for 2017 is 95.8%.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

Kim Looney / with permission
by mail

Kim H. Looney

/Encls.

Attachment Section A, Project Details, Item 6A

Option to Lease Agreement

OPTION TO LEASE AGREEMENT

THIS OPTION TO LEASE AGREEMENT (the "Agreement") is made and entered into as of this ____ day of June 2018, by and between 7845 US Hwy 64, LLC ("Landlord") and Bartlett ASC, LLC, a Tennessee limited liability company ("Tenant").

WITNESSETH

WHEREAS, Landlord owns a building located at 7845 US Hwy 64, in Shelby County, Tennessee (the "Property"); and

WHEREAS, Landlord desires to enter into an option with Tenant whereby Landlord grants to Tenant the option to lease approximately 13,000 square feet of the Property (the "Leased Premises"), which option must be exercised as set forth below.

NOW, THEREFORE, for \$10 cash in hand paid and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1
GRANT OF OPTION

1.1 Landlord hereby grants to Tenant an exclusive option to lease the Leased Premises, upon the terms and conditions set forth herein (the "Option").

1.2 The term of Tenant's Option shall commence on the date hereof and shall continue for a period of six (6) months from the date hereof (the "Option Period"). The Option Period may be extended at any time prior to its expiration upon the mutual consent of the parties.

1.3 Tenant shall exercise its Option by delivering written notice to Landlord within the Option Period by Registered or Certified Mail, or in person.

1.4 Notwithstanding the foregoing, the Option shall automatically terminate if Tenant is not successful in obtaining a Certificate of Need to relocate its ambulatory surgical treatment center to the Leased Premises, from the State of Tennessee Health Services and Development Agency, on or before October 24, 2018, and provided the Agency's decision cannot be appealed.

SECTION 2
TERMS AND CONDITIONS OF THE LEASE

2.1 Upon the exercise of the Option by Tenant as set forth herein, the parties agree to execute a formal lease agreement, subject to any terms and conditions contained in this Agreement and as mutually agreed upon by the parties. The parties expect that rent shall reflect the fair market value of the property and shall be approximately \$18.00 to \$18.50 per square foot, depending on the cost of improvements and the location in the building.

2.2 The initial term of Tenant's lease of the Leased Premises shall be for a period of ten (10) years (the "Term").

SECTION 3
MISCELLANEOUS PROVISIONS

3.1 Any notices required or permitted herein shall be addressed as follows and delivered to the other party by either registered or certified mail, facsimile, or in person:

If to Landlord:

If to Tenant:

Bartlett ASC, LLC
c/o USP Tennessee, Inc.
15305 Dallas Parkway
Suite 1600
Addison, TX 75001
Attention: Chief Legal Officer

June 29, 2018**1:31 P.M.**

With a copy to:

United Surgical Partners International, Inc.
15305 Dallas Parkway
Suite 1600
Addison, TX 75001
Attn: James Bowden, Senior Corporate Counsel, Development

[Signature Page Follows on Next Page]

June 29, 2018**1:31 P.M.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

LANDLORD:**7845 Highway 64, LLC**By: Name: Bruce D. Pergamelli**TENANT:****Bartlett ASC, LLC**

By: USP Tennessee, Inc., its Sole Member

By: 

Name: Erik Kraemer

Its: Vice President

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: BARTLETT ASC, LLC

I, KIM H. LOONEY, ESQ., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Kim Looney Esq. with permission

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 29TH day of June, 2017, witness my hand at office in the County of Davidson, State of Tennessee.

Ramona Glass

NOTARY PUBLIC

My commission expires : January 8, 2019

HF-0043

Revised 7/02

**MY COMMISSION EXPIRES:
JANUARY 8, 2019**

Clarifying Information

Bartlett ASC, LLC

CN1806-026

Mark Farber

From: Kim Looney <Kim.Looney@wallerlaw.com>
Sent: Thursday, August 16, 2018 9:51 AM
To: Mark Farber
Cc: Melanie Hill; Laurie Glass
Subject: RE: CN1806-026, Bartlett ASC, LLC-Additional questions

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 Partner

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Thank you.

Mark

Mark Farber
Deputy Director
Health Services and Development Agency
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

615-741-2364 (office)
615-741-9884 (fax)

Mark.Farber@tn.gov (email)

www.tn.gov/hsda (website)

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Does Tenet or its subsidiaries have any relationship with 7845 Hwy. 64, LLC or with Pergament Properties?*[Kim Harvey Looney] No*

Melanie

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
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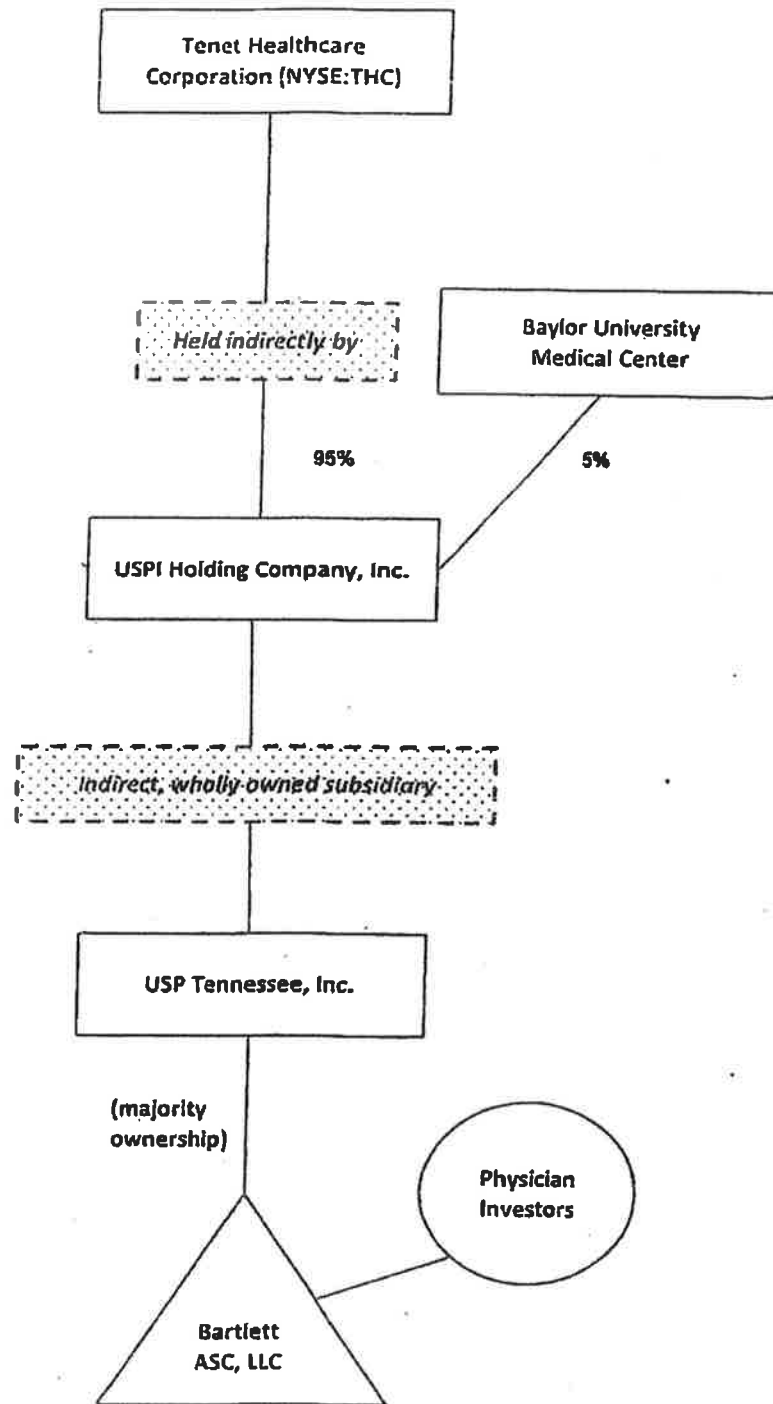
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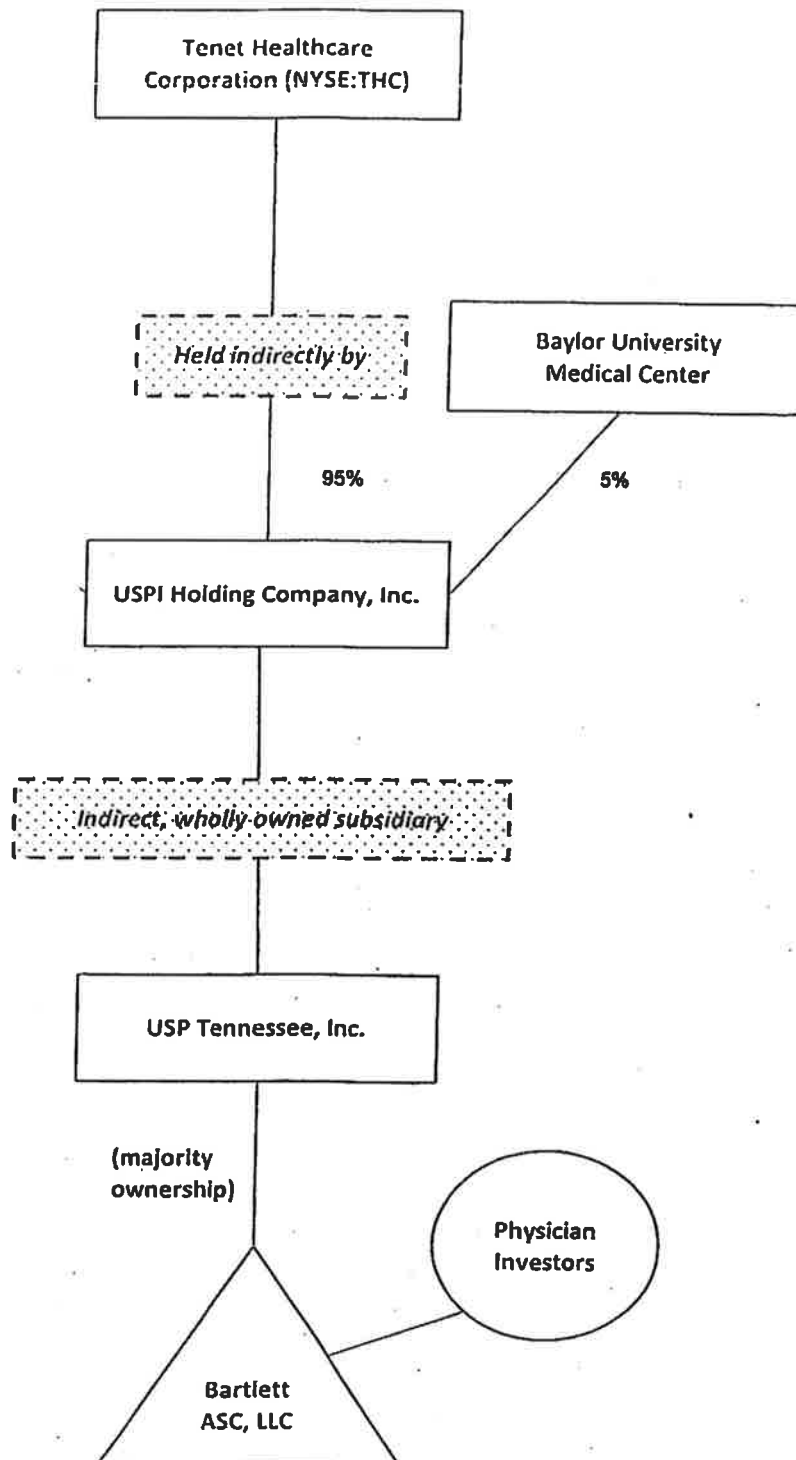
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**State of Tennessee
Health Services and Development Agency**

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Nashville, TN 37243
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Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the The Commercial Appeal which is a newspaper
(Name of Newspaper)
of general circulation in Shelby, Tennessee, on or before June 10, 20 18
(County) (Month/Day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Bartlett ASC, LLC an ambulatory surgical treatment center
(Name of Applicant) (Facility Type-Existing)

owned by: Bartlett ASC, LLC with an ownership type of limited liability company

and to be managed by: USP Tennessee, Inc. intends to file an application for a Certificate of Need

The relocation of an unimplemented ambulatory surgical treatment center
for [PROJECT DESCRIPTION BEGINS HERE]: (CN1605-020A) to provide outpatient surgery services from 0 Kate Bond
Boulevard, Bartlett, Shelby County, Tennessee 38133(address to be assigned) to 7845 US Hwy 64.
No licensed beds will be affected, and no major medical equipment will be purchased as a result of this project.
The cost of this project is expected not to exceed \$9,800,000.

The anticipated date of filing the application is: June 15, 20 18

The contact person for this project is Kim Harvey Looney, Esq. Attorney
(Contact Name) (Title)

who may be reached at: Waller Lansden Dortch & Davis LLP 511 Union Street, Suite 2700
(Company Name) (Address)

Nashville TN 37219 615 / 850-8722
(City) (State) (Zip Code) (Area Code) (Phone Number)

Kim H. Looney June 8, 2018 Kim.Looney@wallerlaw.com
(Signature) (Date) (Email-Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

TABLE OF CONTENTS

0720-11-.01 General Criteria for Certificate of Need

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
 - (a) The relationship of the proposal to any existing applicable plans;
 - (b) The population served by the proposal;
 - (c) The existing or certified services or institutions in the area;
 - (d) The reasonableness of the service area;
 - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
 - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
 - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.
- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
 - (a) Whether adequate funds are available to the applicant to complete the project;
 - (b) The reasonableness of the proposed project costs;
 - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
 - (d) Participation in state/federal revenue programs;
 - (e) Alternatives considered; and
 - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.

(Rule 0720-11-.01, continued)

- (3) Quality. Whether the proposal will provide health care that meets appropriate quality standards may be evaluated upon the following factors:
 - (a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;
 - (b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;
 - (c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;
 - (d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;
 - (e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;
 - (f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;
 - (g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.
 1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:
 - (i) Those having the same accrediting standards as the licensed hospital of which it will be a department, for a Freestanding Emergency Department;
 - (ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects;
 - (iii) Commission on Accreditation of Rehabilitation Facilities (CARF), for Comprehensive Inpatient Rehabilitation Services and Inpatient Psychiatric projects;
 - (iv) American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority, for Megavoltage Radiation Therapy projects;
 - (v) American College of Radiology, for Positron Emission Tomography, Magnetic Resonance Imaging and Outpatient Diagnostic Center projects;

(Rule 0720-11-.01, continued)

- (vi) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, or another accrediting body with deeming authority for hospice services from CMS or state licensing survey, and/or other third party quality oversight organization, for Hospice projects;
 - (vii) Behavioral Health Care accreditation by the Joint Commission for Nonresidential Substitution Based Treatment Center, for Opiate Addiction projects;
 - (viii) American Society of Transplantation or Scientific Registry of Transplant Recipients, for Organ Transplant projects;
 - (ix) Joint Commission or another appropriate accrediting authority recognized by CMS, or other nationally recognized accrediting organization, for a Cardiac Catheterization project that is not required by law to be licensed by the Department of Health;
 - (x) Participation in the National Cardiovascular Data Registry, for any Cardiac Catheterization project;
 - (xi) Participation in the National Burn Repository, for Burn Unit projects;
 - (xii) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, and/or other accrediting body with deeming authority for home health services from CMS and participation in the Medicare Quality Initiatives, Outcome and Assessment Information Set, and Home Health Compare, or other nationally recognized accrediting organization, for Home Health projects; and
 - (xiii) Participation in the National Palliative Care Registry, for Hospice projects.
- (h) For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.
- (i) For Cardiac Catheterization projects:
 - 1. Whether the applicant has documented a plan to monitor the quality of its cardiac catheterization program, including but not limited to, program outcomes and efficiencies;
 - 2. Whether the applicant has agreed to cooperate with quality enhancement efforts sponsored or endorsed by the State of Tennessee, which may be developed per Policy Recommendation; and
 - 3. Whether the applicant will staff and maintain at least one cardiologist who has performed 75 cases annually averaged over the previous 5 years (for an adult program), and 50 cases annually averaged over the previous 5 years (for a pediatric program).
- (j) For Open Heart projects:

(Rule 0720-11-.01, continued)

1. Whether the applicant will staff with the number of cardiac surgeons who will perform the volume of cases consistent with the State Health Plan (annual average of the previous 2 years), and whether the applicant will maintain this volume in the future;
 2. Whether the applicant will staff and maintain at least one surgeon with 5 years of experience;
 3. Whether the applicant will participate in a data reporting, quality improvement, outcome monitoring, and peer review system that benchmarks outcomes based on national norms, with such a system providing for peer review among professionals practicing in facilities and programs other than the applicant hospital (demonstrated active participation in the STS National Database is expected and shall be considered evidence of meeting this standard);
- (k) For Comprehensive Inpatient Rehabilitation Services projects, whether the applicant will have a board-certified physiatrist on staff (preferred);
- (l) For Home Health projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;
- (m) For Hospice projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;
- (n) For Megavoltage Radiation Therapy projects, whether the applicant has demonstrated that it will meet the staffing and quality assurance requirements of the American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority;
- (o) For Neonatal Intensive Care Unit projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; whether the applicant has documented the intention and ability to comply with the staffing guidelines and qualifications set forth by the Tennessee Perinatal Care System Guidelines for Regionalization, Hospital Care Levels, Staffing and Facilities; and whether the applicant will participate in the Tennessee Initiative for Perinatal Quality Care (TIPQC);
- (p) For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives;
- (q) For Inpatient Psychiatric projects:
1. Whether the applicant has demonstrated appropriate accommodations for patients (e.g., for seclusion/restraint of patients who present management problems and children who need quiet space; proper sleeping and bathing arrangements for all patients), adequate staffing (i.e., that each unit will be staffed with at least two direct patient care staff, one of which shall be a nurse, at all

(Rule 0720-11-.01, continued)

- times), and how the proposed staffing plan will lead to quality care of the patient population served by the project;
 - 2. Whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; and
 - 3. Whether an applicant that owns or administers other psychiatric facilities has provided information on satisfactory surveys and quality improvement programs at those facilities.
- (r) For Freestanding Emergency Department projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan;
 - (s) For Organ Transplant projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan; and
 - (t) For Relocation and/or Replacement of Health Care Institution projects:
 - 1. For hospital projects, Acute Care Bed Need Services measures are applicable; and
 - 2. For all other healthcare institutions, applicable facility and/or service specific measures are applicable.
 - (u) For every CON issued on or after the effective date of this rule, reporting shall be made to the Health Services and Development Agency each year on the anniversary date of implementation of the CON, on forms prescribed by the Agency. Such reporting shall include an assessment of each applicable volume and quality standard and shall include results of any surveys or disciplinary actions by state licensing agencies, payors, CMS, and any self-assessment and external peer assessment processes in which the applicant participates or participated within the year, which are relevant to the health care institution or service authorized by the certificate of need. The existence and results of any remedial action, including any plan of correction, shall also be provided.
 - (v) HSDA will notify the applicant and any applicable licensing agency if any volume or quality measure has not been met.
 - (w) Within one month of notification the applicant must submit a corrective action plan and must report on the progress of the plan within one year of that submission.
- (4) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:
- (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
 - (b) The positive or negative effects attributed to duplication or competition; and

(Rule 0720-11-.01, continued)

- (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers.
- (5) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
 - (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
 - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
 - (c) Quality of Health Care to be provided. The applicant should show the quality of health care to be provided will be served at least as well as the original site.
 - (d) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (6) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: T.C.A. §§ 4-5-202, 4-5-208, 68-11-1605, 68-11-1609, and 2016 Tenn. Pub. Acts Ch. 1043.

Administrative History: Original rule filed August 31, 2005; effective November 14, 2005. Emergency rule filed May 31, 2017; effective through November 27, 2017.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: July 30,2018

APPLICANT: Bartlett ASC, LLC
7845 US Hwy 64
Bartlett, TN 38133

CON#: CN1806-026

CONTACT PERSON: Kim Looney, Esq.
Waller Lansden Dortch & Davis
511 Union Street, Suite 2700
Nashville, TN 37219

COST: \$9,638,817.34

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Bartlett ASC, LLC, previously approved at the October 2016 HSDA meeting for the establishment of an ambulatory surgical treatment center (CN1605-020A). The applicant has decided to move the site of this project. Initially, the applicant wanted to place the project at an address to be assigned on Kate Bond Boulevard. However, now the applicant feels that a new site, less than half a mile from the originally proposed site, is more suitable. The new site is only a little over 1,000 feet from the hospital. The applicant is seeking approval to change the site of this previously approved but unimplemented project to the third floor of an existing building at 7845 US Hwy 64.

The service area for the proposed ASTC includes portions of both Shelby and Fayette County, an area that has no ASTCs with the exception of North Surgery Center. The applicant anticipates funding the project from both cash reserves and a commercial loan. The applicant anticipates leasing the space at 7845 Hwy 64 for 10 years at an overall cost of approximately \$9.6 million. The applicant also predicts that the project will have a positive net income by year 2.

The current owner of Bartlett ASC, LLC, is United Surgical Partners Tennessee (USPT), whose parent company is United Surgical Partners International (USPI). Tenet purchased controlling interest in USPI in 2015.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant feels that this project is needed for a number of reasons. There are hardly any outpatient surgical centers in the service area except the North Surgery Center used by physicians who practice at Methodist North. According to the Memphis Chamber of Commerce, Bartlett is one of the fastest growing suburbs in Shelby County. Between 2010 and 2017, Bartlett grew by 8.2%. Also, the costs for procedures performed at ASTCs are generally much lower cost than those

performed in an acute care hospital. The applicant believes that this project will also be beneficial to the patients because the cost of outpatient surgeries performed in ASTCs are generally less than the cost of those performed in an acute care hospital setting. In addition, outpatient surgeries performed in an ASTC are performed in less restrictive settings, which is particularly beneficial to elderly patients and patients from rural areas who may have difficulty navigating a hospital campus. The project will be consistent with the long-range plans of the two Tenet hospitals in Shelby County, Saint Francis Hospital and SFH-Bartlett, which are the two hospitals that the applicant projects the ASTC will have the greatest impact on. Hospitals have to be able to provide faster and cheaper services. One way that this is being carried out is for minimally invasive procedures to be moved out of the hospital setting to an ASTC. The applicant anticipates that a significant number of its patient volume will come from the Surgery Center of Saint Francis, allowing them to better manage its patient volume and allow service area residents to receive necessary surgery closer to home.

The new relocated site is very accessible by automobile. The majority of the expected patient population is expected to be within 60 minutes driving time to the ASTC.

The minimum numbers of 884 cases per operating room and 1,867 cases per procedure room are considered baseline numbers for determining need. The applicant will have two operating rooms and one procedure room in the ASTC, where the applicant projects that they will be able to perform over 3,200 cases in the second full year of operation. The applicant anticipates that the average surgery case will take 65 minutes and the average procedural case will take 30 minutes, with the room turnover for both case types taking 30 minutes or less. The operating and procedure rooms will be available 250 days per year and 8 hours per day.

The following chart indicates the applicant's projected surgical hours for the first and second years of operation:

	Year 1			Year 2		
	Cases	Time/Case	Total Hours	Cases	Time/Case	Total Hours
Projected Surgical Cases	609	1:35	965	1,183	1:35	1,874
Projected Procedures	1,050	1:00	1,050	2,040	1:00	2,040
Total Cases	1,659			3,223		
Total Time in Hours			2,015			3,914

The applicant's service area includes Fayette and Shelby Counties:

County	2018 Population	2022 Population	% of Increase/ (Decrease)
Fayette	40,742	42,911	5.3%
Shelby	942,648	957,710	1.6%
Total	983,390	1,000,621	3.5%

Tennessee Population Projections, UTCBER, Tennessee Department of Health

The following chart shows the projected utilization for the project in the service area:

Service Area Countries	Projected Utilization – County Residents	% of Total Procedures
Shelby County	1,288	77.6
Fayette County	186	11.2
Other TN Counties	114	6.9
Other States (Etc.)	71	4.3
Total	1,659	100

The following chart shows the demographics for the projected service area of the project:

Demographic Characteristics of Service Area by County

Demographic	Shelby County	Fayette County	Tennessee
Median Age – 2012 -16 ACS	35.1	47.7	38.5
Age 65+ Population – 2018	125,618	8,734	1,119,024
% of Total Population	13.3%	21.4%	16.5%
Age 65+ Population – 2020	133,579	9,479	1,189,428
% of Total Population	14.1%	22.6%	17.3%
Median Household Income	\$46,854	\$51,290	\$46,574
TennCare Enrollees	245,409	6,895	1,432,475
Percent of 2018 Population Enrolled in TennCare	26%	16.9%	21.2%
Persons Below Poverty Level (2018)	196,471	5,774	1,100,169
Persons Below Poverty Level as % of Population (US Census)	21.4%	15%	17.2%

The following chart shows the projected utilization of the facility for the first two years of the project's operation:

Bartlett ASC Projected Utilization for First Eight Quarters

	Year 1	Year 2
1 st Quarter	79	805
2 nd Quarter	237	806
3 rd Quarter	553	806
4 th Quarter	790	806
Total	1,659	3,223

TENNCARE/MEDICARE ACCESS:

The applicant intends to participate in the Medicare and Medicaid programs. Bartlett ASC, LLC will contract with all West Tennessee managed care organization: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 37 of the initial application. The total estimated cost of the project is \$9,638,817.34. In that total project cost \$2,919,831 will be allocated to moveable equipment, \$3,093,777 will be used for tenant improvements to the space, \$55,106.34 for the CON filing fee. The rest of the cost will go to administrative and legal fees. The project will be funded by a combination of a commercial loan and cash reserves.

Historical Data Chart: There is no Historical Data Chart available as this is a new project.

Projected Data Chart: The Projected Data Chart is located on page 42 of the initial application. It shows the projected financial data for the first two years following the

completion of the proposal. In year 1, or 2019, the project is expected to lose \$865,870. In year 2, or 2020, the project is expected to make \$1,315,536.

Proposed Charge Schedule

	Previous Year	Current Year	Year One	Year Two	% Change
Gross Charge	N/A	N/A	\$2,500.83	\$2,563.51	3%
Average Deduction	N/A	N/A	\$390.38	\$400.16	.5%
Average Net Charge	N/A	N/A	\$2,110.45	\$2,163.35	3%

The following chart shows the projected payor mix for the first year of the project:

Projected Payor Mix Year One

Payor Source	Projected Gross Operating Revenue	% of Total
Medicare/Medicare Managed Care	497,866	12.0
TennCare/Medicaid	53,935	1.3
Commercial/Other Managed Care	3,551,442	85.6
Self-Pay	0	0
Charity Care	0	0
Other	45,638	1.1
Total	4,148,881	100.00

The following chart shows the projected Net Operating Margin for the first two years of the project:

Year	2 nd Year previous to Current Year	1 st Year Previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	.12	.37

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant predicts a number of positive effects of the project due to the implementation of this project. There are hardly any ASTCs in the applicant's service area, with the exception of the North Surgery Center, which is used by physicians who practice at Methodist North, so there would be no duplication of services. The projected service area in Shelby County is one of the fastest growing areas. Also, the facilities whose utilization is expected to decrease are all Tenet facilities. Since Tenet would own this facility as well, it is simply a shift of utilization between entities with a common owner. The applicant expects to have transfer agreements with Saint Francis Hospital and SFH-Bartlett. Outpatient procedures will be shifted to a more convenient location and help to alleviate the crowding at the Surgery Center of Saint Francis. Also, the implementation of this project will allow patients to receive services at a more cost effective and efficient way. The surgery center expects to contract with many managed care insurers in the market including Blue Cross, United Healthcare, Cigna, AETNA, Amerigroup, BlueCare, and United Healthcare Community Plan. The applicant will participate in the TennCare program.

The applicant anticipates initially credentialing approximately 4 orthopedic surgeons, 4 general surgeons, 2 gastroenterologists, and 1 neurosurgeon/spine/pain management specialists. The applicant plans to contract with pathologist and radiologists as well. The center will operate with 18.0 FTEs. 13 of those positions will be clinical, as indicated in the following chart:

Position Classification	Existing FTEs	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Wage
A. Direct Patient	N/A			

Care Positions				
RN		8.5	\$30.00/hr	\$27.02/hr
Techs		3.5	\$25.00/hr	\$22.58/hr
Materials Mgr.		1.0	\$22.00/hr	\$21.45/hr
Total Direct Patient Care Positions		13.0		
B. Non-Patient Care Positions	N/A			
Adm.		1.0	\$100,000/yr	\$87,960/yr
Office Mgr.		1.0	\$50,000/yr	\$50,600/yr
Clerical		3.0	\$13 – \$20/hr	\$14.56/hr
Total Non-Patient Care Positions	5.0	5.0		
Total Employees (A+B)	18.0	18.0		
C. Contractual Staff				
Total Staff (A+B+C)	18.0	18.0		

QUALITY MEASURES

The applicant will seek accreditation through The Joint Commission. The applicant will be licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities. The applicant will also be Medicare certified. USPI participates in a full compliance and quality program in which hundreds of metrics are measured and studied, and when breakdowns occur, USPI is able to make improvements. Some of these metrics include: % of cases, % of patients that received antibiotics within an hour, average start time, central line infection numerator, falls, wrong site incidents, and a plethora of others.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

- Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

N/A

- For relocation or replacement of an existing licensed health care institution:
 - The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The applicant is seeking approval to change the site of this previously approved but unimplemented project to the third floor of an existing building at 7845 US Hwy 64. No changes of operating or procedure room numbers are requested.

- The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

N/A

- For renovation or expansions of an existing licensed health care institution:
 - The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

N/A

 - The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

N/A

